dominion textile limited annual report 1978

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Stock Transfer and Dividend Disbursing Agent
The Royal Trust Company: principal offices in Montréal, Toronto and Vancouver

Stock Registrar
Montreal Trust Company: principal offices in Montréal, Toronto and Vancouver

Trustee: $5^3/_4\%$ Convertible Debentures, 1992
Montreal Trust Company: principal offices in Montréal, Toronto, Winnipeg, Calgary and Vancouver

Stock Exchange Listings
Montréal and Toronto

Annual Meeting
The annual meeting of shareholders will be held at 3:30 p.m. DST, on Wednesday, 18 October 1978, at the head office of the Company, 1950 Sherbrooke Street West, Montréal.

The Cover

The modern denim fabric shown on the cover reflects the dynamic new thrust by the Company in the Canadian market. Blue denim, once associated only with farm and industrial workers, is everyone's fabric everywhere today. Continuing popularity and demand have justified a capital expenditure of $8.5 million by Dominion Textile to maintain its leadership position in jeans fabrics in Canada.

Si vous préférez recevoir ce rapport en français, veuillez vous adresser au Secrétaire, case postale 6250, Montréal, Québec H3C 3L1

Highlights

(in thousands of dollars)

	1978	1977
Sales	$559,965	$498,939
Net income before extraordinary item	18,171	14,593
Net income after extraordinary item	18,171	13,344
Cash generated from operations	$ 37,593	$ 28,445
Capital expenditures	19,207	22,056
Working capital	$134,539	$116,785
Long term debt	108,059	110,082
Shareholders' equity	139,519	124,164
In dollars per convertible share:		
Net income before extraordinary item	$ 2.31	$ 1.87
Net income after extraordinary item	2.31	1.71
Cash generation	4.78	3.64
Dividends	0.64	0.60
Book value	17.37	15.85
Market price—High	12 1/4	9 1/2
—Low	7 7/8	6 7/8
Number of employees at year end	12,597	12,015
Salaries, wages and employee benefits	$157,019	$145,300

Distribution of 1978 sales dollar

(thousands of dollars)

Report to the Shareholders

The year's results
We are pleased to be able to report record sales and a substantial improvement in earnings for the fiscal year ended June 30, 1978.

Sales for the year exceeded half-a-billion dollars by a significant margin and were 12% higher than the previous year.

Net income of $2.31 per share was the second-highest in the Company's history and, at $18,171,000 represented a return of 13.8% on average shareholders' equity, the best for several years.

We welcomed the Federal Government's initiative in creating the inventory tax credit as a partial buffer against the cash erosion caused in periods of inflation by our system of taxation. We wish this action had been taken earlier but do acknowledge that it added nearly $1.5 million, or almost 19 cents a share, to our bottom line. The cash generated from this source will help us to maintain a sound level of capital expenditures.

A strong performance in our Canadian operations more than offset a decline in earnings from the U.S. and overseas subsidiaries. In the previous year, operations outside Canada had helped to shore-up results when the textile scene in this country was particularly bad. The fact that Dominion Textile is now strongly represented in markets both inside and outside Canada has tended to have a stabilizing effect on results.

The improved earnings enabled the Board of Directors to raise the dividend for the first time in four years. In March 1978 the quarterly dividend was raised to 17¢ per share; formerly it had been 15¢ per share.

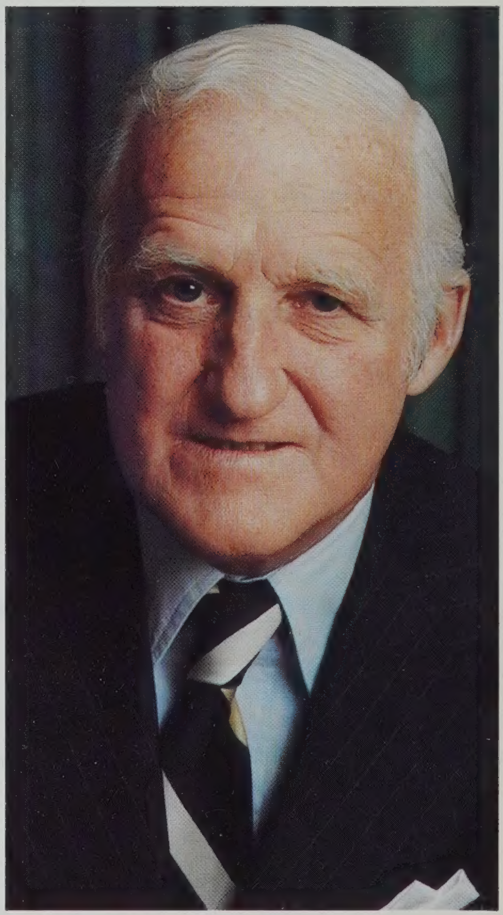
While sales got off to a slow start momentum picked up as the year progressed. This was in response to the Canadian Government's decision to cut back the excessive level of garment imports from low-wage countries coupled with the fall in value of the Canadian dollar in international money markets. As sales started to climb, output gradually accelerated and plants that had operated on shortened work schedules at the beginning of the year were later required to run at peak capacity. When this happens, of course, efficiencies improve and unit costs decrease.

In the United States, Swift Textiles, the denim manufacturing arm of the DHJ Industries Group, again had an outstanding year and produced exceptional earnings. The Interlining Division, however, was bringing on stream its new finishing plant in Monroe, Louisiana, and suffered the usual costs and customer service frustrations associated with the start-up and breaking-in of a large operation.

Interlinings and cut linings are the foundation on which DHJ's business has been built and we intend to remain the best in this specialized field around the globe. During the year additional financial and manpower resources were made available to the Interlining Division for its Louisiana plant, and we are encouraged by the results we have seen during the past quarter.

After many months of aggressive and dedicated effort to make a success out of our remaining doubleknit plant, we came to the conclusion business prospects would not improve and therefore decided to close the operation at Hickory, North Carolina. Alternate uses for this plant are being pursued.

Most of the overseas subsidiaries and affiliates of the Company made a contribution to earnings, despite suffering from generally weak markets for textiles. The successes these companies achieved are a tribute to their managements and their ability to react quickly to difficult business conditions.



Ronald H. Perowne

Thomas R. Bell

Government policies
The actions taken by the Federal Government have at last had a positive effect in helping to stabilize textile markets in Canada. In 1977 imports were, in fact, reduced to the 1975 level of some 15 million dozen garments and the previous inventory build-up has now worked its way through the distribution system. The recommendations of the Textile and Clothing Board have been implemented in part by the negotiation of 3-year bilateral agreements with the seven most significant low-wage nations which, in the past, accounted for some 75% of all garment exports to Canada. We urge the Government to further implement the Textile and Clothing Board's recommendations so that coverage will be extended to fourteen additional countries. Such Government action would place Canada in a quota position closer to that presently prevailing in the United States and the European Economic Community.

Both the textile and clothing industries have been closely following developments in the ongoing GATT trade negotiations. Taking into account the present high rate of import penetration from both developing and developed sources under existing tariff levels, these industries are arguing justifiably that textile and apparel products be exempted from the current round of negotiations.

Price increases in the textile industry have been much more moderate than in most sectors of the economy. For example, in the twelve months to June 1978 prices of women's wear, men's wear and children's wear increased by only 1.6%, 2.0% and 3.4% respectively, compared to increases of 9.2% in the overall Consumer Price Index and of 5.9% in the non-food component of that index.

In the past year there has been much comment concerning the viability and the value of the textile industry in Canada. We reject unequivocally, as socially and economically irresponsible, any proposals calling for the phasing out of this industry.

Recently a Government-appointed task force comprising labour and management leaders of the clothing and textile industries, retailers, academics and provincial government observers, unanimously made strong representations to the Federal Government for maintaining and strengthening a broadly-based industrial structure for Canada. The report clearly identified employment as the number one issue facing the Canadian people and their governments today and stated that in a situation of endemically high unemployment "every job in every industrial sector must be considered critical". The essential contribution of the textile and clothing industries in providing some 200,000 direct and 300,000 indirect jobs was underlined by the task force.

While there has been some recent clarification regarding Québec's language legislation, a grave threat to effective corporate management remains in the uncertainty of having to negotiate complex linguistic agreements covering head office operations. A realistic implementation of the language law, at all levels, remains a prerequisite for industry in this province if it is to continue to do business effectively on the North American continent.

Five years ago half of this Company's total sales revenue was derived from within Québec. Today nearly 70% of the Company's sales are outside this province. This fact must be fully appreciated when discussions about language rules are undertaken.

Actions taken by the Québec Government in the removal of the sales tax on clothing and in support of the industry's position with regard to current GATT negotiations have been helpful. However, recent enactments, particularly in the area of labour legislation and in establishing excessive personal income tax levels for

middle and upper management, are unrealistic. These actions continue to worsen the competitiveness of Québec-based industry. More realistic approaches must be forthcoming if a significant erosion of the industrial base so vital for the continued well-being of all Québec is to be prevented.

Organization

We have completed a full fiscal year under our divisional organization structure and are extremely pleased with the results achieved. It has enabled management to respond more quickly to the opportunities presented, more decisively to the problems encountered and gives continued indication of the strength and flexibility of the Company's generally decentralized organization.

We will strive to maintain the best possible balance between those activities which should be carried out closest to the scene of the action and those where a central coordination and direction is necessary. In that regard, our organization evolved further as the last of the former Canadian subsidiaries was realigned within major business divisions of the Company, and as three senior vice-presidencies were created at headquarters to coordinate various functions that need central direction.

Directors

Mr. Arthur Pascal having reached the mandatory retirement age will not be standing for re-election to the Board of Directors. Mr. Pascal has served on the Board with distinction for 10 years. He has made a great contribution to the Company and we are very grateful to him for his efforts on our behalf.

We are pleased to advise that Mr. Gordon Lennard of Calgary, President of Knowlton Realty Ltd. and formerly Senior Vice-President of the Canadian Imperial Bank of Commerce in Montréal, has agreed to stand for election as a member of the Board.

Outlook

In fiscal 1978 capital expenditures in Canada totalled $13.4 million and we spent $5.8 million outside the country. In the coming year we expect such expenditures to remain at about these levels. Our investments continue to be guided by business considerations and not political ones.

We commence the new year in Canada in strong fashion with an order book much fuller than it had been a year earlier. Our plants in most instances are running efficiently but they are hampered by a growing incidence of absenteeism—a problem that appears to plague today's industrial society.

In recent months the supply of denim in world markets has outpaced demand, and the major producers in the United States, including Swift, have been obliged to cut back production. We, therefore, expect a more normal level of earnings from Swift in fiscal 1979. The Company's requirements for other types of fabrics are expected to provide sufficient work for any looms idled in Swift's Georgia plant.

With regard to our denim operations in Canada, the start-up in the latter half of fiscal 1978 went very smoothly and we continue to be optimistic that we have the ability to displace imports and to operate a profitable denim business in this country.

Our major labour agreements come up for renewal in February 1979. We expect that these contracts will be settled promptly and realistically. We believe our employees in Canada and their representatives are more conscious than ever of the significant labour cost differential that continues to exist between Canadian mills and those in the United States, our major competitor among the developed nations. Our employee relations in fiscal 1978 were good, at every level, and it is our intention to try very hard to keep them that way.

The foreign exchange situation is in our favour, particularly to our Canadian operations. The lower value of the Canadian dollar compared to the United States dollar, the Japanese yen and currencies of other major textile exporting nations obviously helps. We should continue to be busy under these conditions and prospects for next year are encouraging.

The Directors acknowledge the excellent results produced by our employees in the year just ended. Most of the profit objectives, set by the Divisions themselves and confirmed by management, were realized. The enthusiasm with which our employees tackled their jobs is very gratifying. A word of appreciation also to the people who make it possible for us to run a successful business—our valued customers.

Submitted on behalf of the Board

Chairman of the Board

President and Chief Executive Officer

Montréal, Québec
August 9, 1978

The Year in Review

Dominion Textile Limited manufactures and markets a diversified range of textile products in Canada, the United States, Europe and elsewhere around the world.

Sales by the major product groups have been as follows in the last two years:

	1978	1977
	($ millions)	*($ millions)*
Apparel Fabrics Division *Woven fabrics of cotton and blends for ladies' sportswear and blouses, shirts, nightwear, outerwear, career apparel and rainwear; jeans fabrics including indigo-dyed denim, heavyweight twills and drills and corduroy; fabrics for home sewing and furnishings. Major brand names are TEXMADE and FIRESIDE FABRICS.*	**$156.1**	$133.1
Consumer Products Division *Sheets, pillow slips, bedspreads, comforters, blankets, towels, table fashions, knitted underwear and sportswear. Major brand names are TEXMADE, CALDWELL, ESMOND and PENMANS.*	**91.0**	76.5
Sales Yarn Division *Spun yarns made from cotton, man-made and blend fibres for sale to knitters and weavers and many other industries.*	**81.9**	74.2
Industrial Fabrics Division *Woven, knitted and non-woven fabrics for the rubber and other industries, including tire cord fabrics of nylon, polyester, glass fibre and steel wire; fabrics for conveyor belts and snowmobile tracks; treated cord for V-belts; fabrics for coating with plastic and rubber.*	**56.9**	50.2
DHJ Industries Group *Woven and non-woven interlinings for shirt and other garment manufacturers; cotton and blend denim fabrics for jeans and other garments; plastic packaging clips. Major brand names are DHJ and SWIFT.*	**174.1**	164.9
	$560.0	$498.9

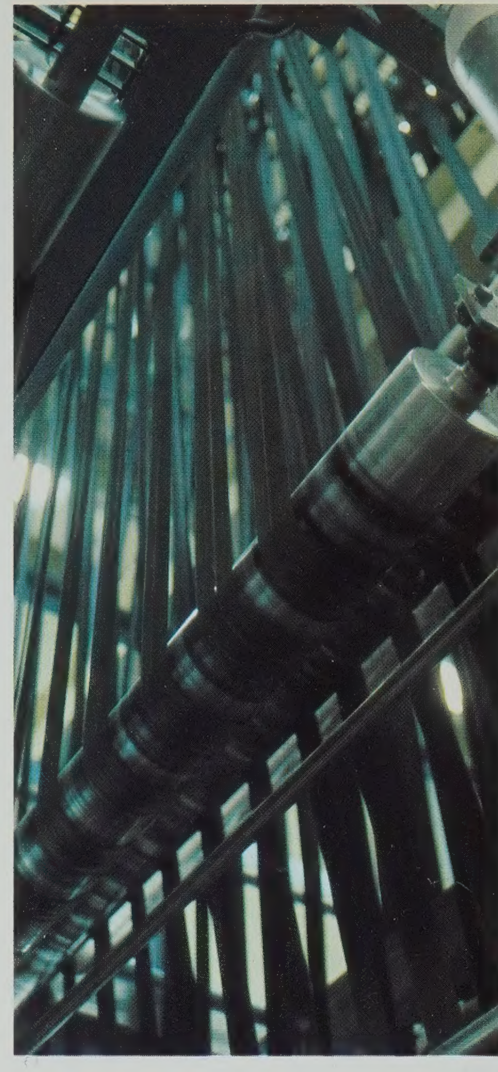
At June 30, 1978, the Company had 12,600 employees on the payroll of whom 8,100 were in Québec, 1,600 in Ontario, 400 in the other Canadian provinces, 2,000 in the United States and 500 in Europe and elsewhere. The Company operates 38 manufacturing plants, of which 18 are in Québec, 7 in Ontario and 1 in Nova Scotia for a total of 26 in Canada. There are 7 manufacturing locations in the United States, 4 in Europe and 1 in South America.

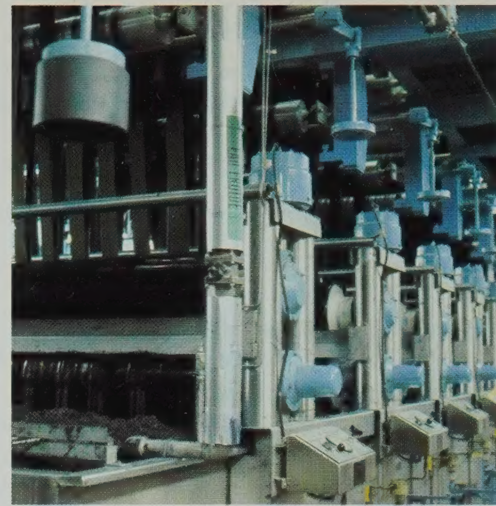
Exports from Canada amounted to $24 million in fiscal 1978, the same as in the previous year. Taking into account sales of the DHJ Industries Group, 35% of the consolidated sales of Dominion Textile are outside Canada.

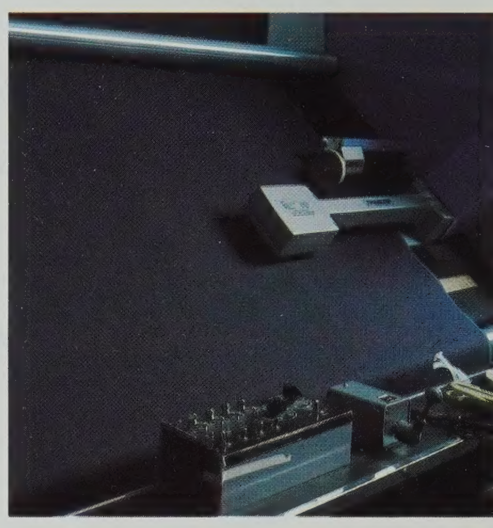
A report on each of the major business segments of the Company appears on the following pages:

Sales by major product groups
(millions of dollars)

Apparel Fabrics Division







This pictorial sequence highlights the Division's new denim-manufacturing operations. Beside an abstract view of indigo-dyed yarns are: the dye range at Drummondville, the immense rolls of fabric at Magog awaiting the final processes of inspection and cutting.

The Apparel Fabrics Division manufactures a wide range of fabrics in cotton and blends of cotton and man-made fibres. These are sold, bearing the TEXMADE label, for the manufacture of ladies' sportswear, blouses, men's shirts, nightwear, outerwear, career apparel and rainwear. Sales to the jeans trade include indigo-dyed denim, as well as heavyweight twills and drills and corduroy, all of which are supplied in multiple styles and finishes plus a broad range of colours. A wide selection of printed and plain fabrics for the home sewing market is offered through wholesalers and retailers. In home furnishings, a multitude of fabrics is sold for curtains, draperies, slipcovers and mattresses.

After a very slow first quarter, the Division's sales and margin performance improved rapidly in the following nine months to the point where they exceeded targets established for the year.

This trend is expected to continue based on the following factors:

— The current product mix is well balanced in terms of the market; probably our single most important asset in today's marketplace is the great flexibility to respond to changing styling and fabric demands.

— The decline in value of the U.S. and Canadian dollars have made our products and our customers' products more competitive.

— In recent months the full impact of government quotas on garment imports has been felt and the new bilateral agreements augur well for the immediate future.

— For several years lightweight blended fabrics have been depressed in terms of volume and price. Major garment styling changes toward these fabrics and less world production have produced a significant turnaround in this large market.

— Inventory levels are down from a year ago and during the past twelve months continuing progress has been made in customer service, quality and productivity gains.

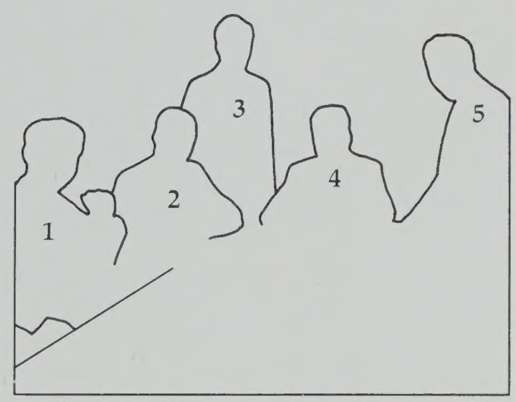
In more specific terms major sales increases were achieved in career apparel, sportswear, home furnishings and consumer fabrics. In the jeans area significant gains were made in corduroy and other related fabrics. Export volume was off, however, due to poor market conditions throughout Europe.

During the past twelve months the Division's greige cloth manufacturing plants operated at full capacity and were on an overtime basis for more than half the year. The denim project referred to in last year's report came on stream with a minimum of problems. We are currently

delivering to the Canadian market high-quality cotton denim, while polyester/cotton blends will be available in the second quarter of the 1979 fiscal year. Our continuing market penetration is satisfactory despite a weaker denim market in the U.S.A.

The Division's two finishing plants ran at reduced levels in the first quarter and, with the exception of prints, at near capacity during the balance of the year. To maintain the pace of productivity improvement will require substantial expenditures for the renovation of the Magog finishing plant, beginning with the open-width bleaching operation.

Despite doubts about the Canadian economy and the higher cotton price levels accentuated by the weaker Canadian dollar, the outlook for apparel fabrics over the next twelve months is optimistic. The Division's open order position stands at a high level and continuing gains in volume are expected during this coming year.



1. Colin M. Avery, *Controller;* 2. Donald S. Suddaby, *Director of Marketing;* 3. Lawrence G. McDonough, *Vice-President, Grey Manufacturing;* 4. William A. McVey, *Vice-President and General Manager;* 5. W. Hood Gambrell, *Vice-President, Finishing Plants.*

PLANTS

Greige fabric plants

Domil, Sherbrooke, Québec
Gordon McD. Shaw, Manager
Polyester/combed cotton blend fabrics for shirtings, uniforms, rainwear, tablecloths and dress prints

Drummondville, Drummondville, Québec
Oscar J. Paquette, Manager
Cotton flannels, ducks, denim and industrial fabrics

Gault, Valleyfield, Québec
Gordon Largy, Manager
Cotton and polyester/cotton blend fabrics for sportswear, work clothing, pocketings, draperies and industrial fabrics

Long Sault, Long Sault, Ontario
Bernard Hamel, Manager
Polyester/combed cotton blend fabrics for broadcloth shirtings, uniforms, rainwear and sportswear

Magog, Magog, Québec
Roger Bouchard, Manager
Cotton and polyester/cotton blend fabrics for dress and nightwear prints, corduroy, home furnishings and industrial fabrics

Richelieu, St. Jean, Québec
Marc Théberge, Manager
Cotton and polyester/cotton blend fabrics for sportswear, work clothing, casement sateens, pocketings, interlinings and dress prints

Converting and finishing plants

Magog Finishing Plant, Magog, Québec
Jacques St-Onge, Manager—Apparel Plant
Bleaching, dyeing, printing and finishing; cotton, blend fabrics, corduroy and denim

Beauharnois Finishing Plant, St. Timothée, Québec
A. Richard Tremaine, Manager
Bleaching, dyeing and finishing; cotton and blend fabrics

Dominion Textile Company (U.K.) Limited, London, England
Barry J. Robinson, Director
Company's selling agent for United Kingdom and Europe

Consumer Products Division

The Consumer Products Division manufactures and markets a broad range of household textile items under the nationally recognized brand names TEXMADE, CALDWELL and ESMOND. In the 1979 fiscal year the well-known Penmans organization, with its extensive product offering in sportswear and underwear, will become part of this Division.

In the year just ended, the Consumer Products Division enjoyed record results with sales at an all-time high. The Esmond unit personified the success of the Division by achieving record levels despite a 9-week work stoppage at the beginning of the fiscal year.

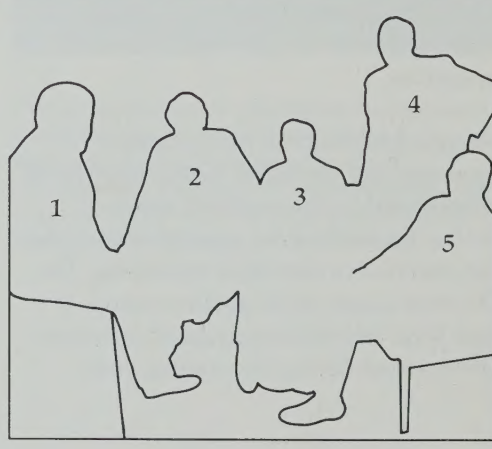
There were several reasons for the dramatic turnabout in comparison to the previous year. Of major importance was the continued high quality and fashion image offered to the trade by the three national brands. Also, the weaker Canadian dollar and the application of controls over certain imports from low-wage countries brought about a significant reduction in imports of bedding and towels.

The growth in demand by customers for co-ordinated ensembles initiated our entry into the market for comforters, bed skirts and pillow shams, all of which sold well. Of major significance also was the continuing expansion of the CALDWELL and ESMOND lines in sheets and pillow cases, again in co-ordination with their traditional products.

The continuing strength of demand for both the TEXMADE flannelette blanket, as well as the ESMOND satin-bound needlepunched blanket made from man-made fibres, affirms the view that the ongoing energy crisis continues to be our silent salesman.

The fact that the Consumer Products Division can promote similar products under three well-known national brands provides us with a much better opportunity to obtain a greater market share.

The higher level of sales in fiscal 1978 was a major factor leading to reduced inventory levels during the year and this, together with a concerted effort to decrease other elements of capital employed in the business contributed significantly to the Division's improved return on investment. The strong demand for our products also



1. Harry Braid, *Vice-President and General Manager;* 2. Louis R. Novak, *Controller;* 3. Jim H. Griffin, *Director of Marketing;* 4. Frank H. Boone, *Vice-President and General Manager, Esmond Division;* 5. Jacques Savoie, *Director of Manufacturing.*

In the fiscal year the first financial benefits were obtained from the $3.5 million capital expenditure completed last year at Caldwell, involving the most modern jacquard looms.

permitted the resumption of a third shift at the Sherbrooke plant which is now operating at full capacity.

Major improvements in first quality yields continued to be achieved at the Caldwell plant as a result of the modernization program started two years ago. This program has enabled the Division to provide quality high-fashion towels, to the marketplace, including advanced jacquard weaves.

At the Esmond plant, a third needlepunch machine was installed recently. This type of equipment manufactures blankets at much greater speeds than the traditional weaving process and the additional capacity will allow us to take full advantage of the increasing demand for this type of product.

During the past year, Penmans registered substantial gains in sportswear volume while the underwear business continued to face strong competition in the domestic market. With its integration into the Consumer Products Division, greater emphasis will be placed on the merchandising and distribution of the recognized PENMANS brand name.

Notwithstanding a cautious marketplace, the Division is confident that demand for its products will continue to be firm through the new business year. To achieve planned shipments and profitability will require strong emphasis on market leadership, inventory management and cost controls.

PLANTS

Greige fabric plants

Caldwell, Iroquois, Ontario
Roland Johnson, Manager
Terry towels, towelling and bath mats

Sherbrooke, Sherbrooke, Québec
Raymond Nicol, Manager
Polyester/cotton sheeting for sheets, pillow slips, comforters and bedspreads

Montmorency, Montmorency, Québec
Reynald Leduc, Manager
Mop yarns, cotton sales yarn and twines; cotton flannelette blankets and blend flannelette sheets; tabling

Penmans Division, Paris and Brantford, Ontario; St. Hyacinthe, Québec
Robert E. Evans, President
Knit sportswear and underwear

Esmond Division, Granby, Québec
Frank H. Boone, Vice-President and General Manager
Woven and non-woven blankets, bedspreads and draperies

Converting and finishing plant

Magog Finishing Plant, Magog, Québec
Robert L. Cooney, Manager—Consumer Plant
Sheets, pillow slips, tabling, bedspreads, blankets and flannelette sheets

Sales Yarn Division

The Sales Yarn Division again experienced an active year. With strong trade demand for the Company's yarns and with the continuing trend to finer counts in an upgraded product mix, shipments at $81.9 million attained a new record level surpassing by 10% the previous high of $74.2 million achieved last year. These figures include the sales of Hubbard Dyers which has now been incorporated into the Sales Yarn Division.

Given the present-day factors of uncertainty with respect to lead-time in ordering offshore and of volatility in style-changes with the resulting inventory risks, the strength of our sales yarn market in large measure can be attributed to the versatility of the domestic knitting trades in their ability to react quickly to retail demand for short runs of well-styled, quality merchandise. Import quotas on garments and the decline in value of the Canadian dollar also had a positive impact on operating results.

While cotton still remains the dominant fibre, the use of man-made fibres continues to increase as a percentage of total output. This is particularly so in the case of polyester when blended with cotton. In the year just concluded the proportion of man-made fibres represented in the output of the yarn plants rose to 41% from 30% in the preceding year.

The demand for both finer counts and blend yarns, and the upgrading from carded to the finer combed quality, tended to impact on output by creating imbalances or bottlenecks in production flow. With new construction or expansion of existing buildings with their associated service facilities so prohibitively expensive, capital expenditures in the Sales Yarn Division are being directed to higher-speed equipment for installation within the space limitations of the Division's existing modern plants. The purpose is either to generate additional output or to balance production flow in accordance with the changing product mix.

Several important capital expenditure projects are now underway or scheduled to be started in the year ahead.

At the Salaberry plant in Valleyfield, additional spinning spindles will be added to increase by 10% the mill's potential output of fine-count combed-blend yarns.

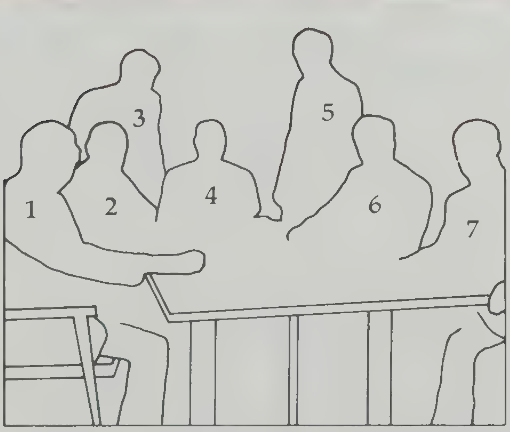
At the Long Sault Yarn plant, the intimate blend line installed three years ago for production of polyester/cotton blends will be utilized to its full capacity during the course of the new year. This plant, formerly an all-cotton operation, will shortly have 60% of its throughput on blend yarns. Because higher spinning speeds are attainable on blend yarn production, there will be an increase in output and this will require the provision of additional high-speed winding spindles.

At the Domil Yarn plant in Sherbrooke, we plan to install additional high-speed winding equipment to improve both the cost and quality of our yarns. Also at this plant, two units of open-end spinning, a relatively new kind of spinning equipment, have been installed for full production trials. While open-end spinning is not a completely new concept, the machines now on trial are the latest generation models from two different manufacturers. If the output is in line with our expectations, we will have the potential for a significant increase in capacity in the limited floor space still available at this plant.

Hubbard Dyers has wide experience in the field of commission dyeing of fabrics and yarns. It has been able to recover much of the ground it lost when the Company closed its doubleknit operations in Canada two years ago. Formerly, a significant proportion of Hubbard's capacity was used in processing doubleknit fabrics.

The market for the products of the Sales Yarn Division is expected to remain strong through fiscal 1979 and all the yarn plants should operate at capacity.

The latest generation of open-end spinning frames is now being installed at the Domil Yarn plant in Sherbrooke, Québec.



1. André Comtois, *Manager, Quality Control and Production Planning;* 2. Paul É. Boudreault, *Director of Manufacturing;* 3. John S. Logan, *Controller;* 4. Robert M. Wilson, *Vice-President and General Manager;* 5. Allan R. Evans, *Vice-President, Marketing;* 6. Harley M. Parkinson, *Product Sales Manager;* 7. Stuart A. Gordon, *Product Sales Manager.*

PLANTS

Combed and carded yarns; cotton, man-made and wool; natural, bleached and dyed

Domil, Sherbrooke, Québec
Camille Beaulieu, Manager

Long Sault, Long Sault, Ontario
Gaston Morneau, Manager

St. Anns, Montréal, Québec
André Giroux, Manager

Salaberry, Valleyfield, Québec
Jos. E. Huot, Manager

Tremont, Montréal, Québec
Paul É. Boudreault, Divisional Manufacturing Director

Mount Royal Dyehouse, Montréal, Québec
Alphonse G. Kelada, Manager

Hubbard Division, Montréal, Québec
Claude Lemire, General Manager
Commission dyeing and finishing of piece goods and yarn

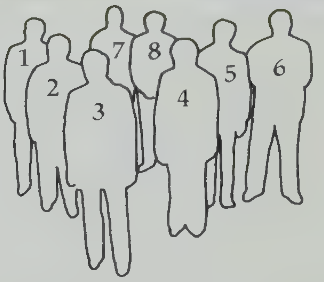
Industrial fabrics can be broadly defined as fabrics sold to various manufacturers to be further processed and/or incorporated into finished products. For example, they include textiles that are used in making abrasive cloths, canvas and camping products, coated fabrics, tape, tires and conveyor belts. The fabrics are woven from cotton, man-made fibres and continuous filament yarns at the Division's plant in Yarmouth, Nova Scotia, as well as at other Dominion Textile plants; tire cord and transmission V-belt cord are made in Drummondville, Québec; woven slit-film polyolefin fabrics are manufactured in Hawkesbury, Ontario; and nonwoven fabrics for coating substrates, furniture padding and other end-uses are produced in Woodstock, Ontario.

The operating results of the Industrial Fabrics Division strengthened significantly as the year progressed and the Division is entering the new fiscal year on a definite upswing. The improvement in performance can be attributed to selective selling, tighter control over inventories and production as well as to the lower value of the Canadian dollar. All these enabled the Division to achieve better than expected export sales, particularly of products sold to the rubber industry. As a result most production facilities ran at satisfactory levels during the greater part of the year.

As the automobile industry continues to search for lighter and more economical materials, there is a growing demand for nonwoven fabrics to replace knitted and woven fabrics. Nonwoven production from our Woodstock plant is playing an important role in this transition. Accordingly, there was a strong move into the supply of nonwoven automotive fabrics in the fiscal year just ended and this business is expected to expand.

Steps have been taken to find other markets for the Division's weaving capacity and action is presently underway to phase out the industrial fabrics knitting operations which have become uneconomical.

The Fiberworld plant at Hawkesbury is principally involved in manufacturing carpet backing, but has recently embarked on a program of diversification. Newly-developed industrial fabrics woven from extruded polyolefin yarns are providing a basis for stability and growth which will become increasingly important in the next few years.



1. Arthur S. Klimes, *Manager, Industrial Engineering;* 2. Robert W. Kolb, *Vice-President, Development Research;* 3. Alex R. McAslan, *Vice-President and General Manager;* 4. Joe M. Vesely, *Director of Marketing, Nonwovens;* 5. Michael J. Grink, *Controller;* 6. N.K. Sanderson, *Director of Marketing, Rubber Industry;* 7. Raymond Bégin, *Director of Manufacturing;* 8. William J. Hindess, *Assistant to the Vice-President and General Manager.*

An extrusion line at the Fiberworld plant at Hawkesbury, Ontario where polyolefin carpet backing and industrial fabrics are manufactured.

In the face of rather disappointing economic forecasts for Canadian industry for 1979, the outlook for the Industrial Fabrics Division for the next fiscal year is for a continuation of business at more or less the present level. However, the trend of improvement in earnings which was experienced in the last fiscal year is expected to continue as a result of the various programs and changes mentioned above.

The value of the Canadian dollar is an important consideration in the forecast for industrial fabrics. If it remains at its present value relative to the United States dollar the Division will continue to enjoy a competitive advantage both at home and abroad. The Industrial Fabrics Division looks forward to the new fiscal year with cautious optimism.

PLANTS

Drummondville, Drummondville, Québec
Oscar J. Paquette, Manager
Woven filament and steel tire fabrics; ducks for conveyor belting and industrial hose; treated cords for V-belts

Yarmouth, Yarmouth, Nova Scotia
André Trachy, Manager
Woven fabrics of cotton and man-made fibres for the coating trade, automotive, buff and filter use; ducks for tarpaulins, conveyor belting and industrial hose, and industrial yarns

Fiberworld, Hawkesbury, Ontario
Marcel Dubé, Manager
Regular and needle-punched polypropylene carpet backing; polyolefin industrial fabrics

Jaro Nonwovens, Woodstock, Ontario
Harold Hargreaves, General Manager
Resin bonded and needle-punched non-woven fabrics of man-made fibres for the coating trade, furniture and filter use, quilting and apparel manufacturing

HOWARD COTTON COMPANY
Herman F. Riddle, President

Howard Cotton Company, based in Memphis, Tennessee, is the Company's cotton buying agent. Most of Dominion Textile's substantial requirement for this important raw material is obtained in the United States.

During the last half of 1977, cotton prices declined sharply due to increased production of American cotton. Following the low point reached in December 1977, the market subsequently recorded slow but steady price increases. World production of cotton for the 1978-79 season might not equal estimated consumption, and this could maintain an upward pressure on prices.

To the best of our knowledge, the new Monroe plant is the first one built exclusively to finish interlinings of all types. This modern 300,000 square foot facility is equipped with the finest of specially-designed machinery.

The 1978 fiscal year was a period of consolidation and reorganization for the DHJ Industries Group as business operations were further restructured and streamlined.

Including earnings from the affiliates, the DHJ Group contributed $1.2 million to consolidated net earnings for the year. This was lower than the previous year primarily due to start-up costs of the Interlining Division's new finishing plant in Monroe, Louisiana, and unfavourable business conditions in some of the international markets in which we do business.

Once again, Swift Textiles was a major contributor to income. However, towards the end of the year softening in the denim market, coupled with excess production capacity in the United States, depressed sales levels and profitability.

Sales of affiliated companies, which are not consolidated, were US $63 million, compared to US $82 million a year ago. The decrease occurred primarily in European denim sales.

Interlining Division
The domestic market for interlinings continued to be adversely affected by the high level of garment imports from low-wage countries into the United States, although sales for the Division exceeded those of the previous year. Several programs have been implemented to broaden the base of the Division's business beyond its primary market in the shirt industry.

The new finishing plant in Monroe achieved the volume levels projected for the first phase of the operation, substantially reducing DHJ's dependence upon outside commission finishers. During the year, there was steady improvement in output and quality levels.

In the latter part of the year, the fusible coating plant in New Jersey was closed and operations were moved to Monroe to optimize utilization of space and management resources at that location. Commissioning of the equipment is now complete and plans to institute a second shift on coating will be implemented as soon as personnel are fully trained.

The Division expects significant growth in the year to come as the first full year's benefit from the finishing facility impacts on its results. A growing business in fusible coated products, where DHJ is a technological leader, is also expected to increase profitability in this Division.

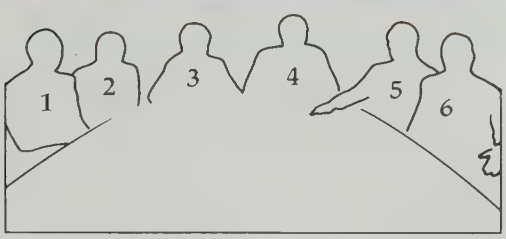
Major capital expenditure programs for fiscal 1979 are planned to improve working conditions and to enhance steam generation capacity in the Monroe plant in order to increase manufacturing efficiency and reduce costs.

Knit Division
In the face of continuing deterioration in the market, the decision was made in December to discontinue the production and distribution of doubleknit fabrics.

In March 1978, an opportunity presented itself to reactivate the dye-house portion of the Hickory, North Carolina plant as a commission dyeing operation and this facility came on stream during April. The operation is in its infancy and early indications are that it has the potential to make a positive contribution to DHJ.

Swift Textiles
At this time last year the first signs were evident that denim capacity had caught up with, and possibly exceeded, market demand in the United States for the first time in many years. This condition accelerated during the last quarter of the fiscal year, bringing a sharp decline in prices and reduced margins.

An industry-wide adjustment has been underway since March 1978 and is expected to continue for several months. While demand is relatively soft at present, gradual strengthening is expected during the year.



1. John A. Boland, *President, Swift Textiles, Inc.*; 2. Bert Schwarz, *Executive Vice-President, Interlining Division*; 3. Norman H. Block, *Executive Vice-President, Finance and Administration*; 4. Charles A. McCrae, *President and Chief Operating Officer*; 5. William N. Gagnon, *President and Director General, DHJ Industries Europe S.A.*; 6. David Friedlander, *Executive Vice-President.*

Although denim will continue to be the single most important fabric used by the jeans industry, management is aggressively exploring alternative products and markets so as to fully utilize production capability and minimize the impact of reduced volume on profitability. While profit will be lower in fiscal 1979, Swift is expected to continue to show a better-than-average return on investment.

Capital expenditures of $2.5 million are planned for 1979. The expenditures will focus primarily on product and productivity improvement.

International Operations
Operations of the subsidiary and affiliated companies overseas, particularly those in western Europe, continue to make a significant contribution to DHJ's results although sales and profitability were below 1977 highs. During the year, business affiliations and operations were realigned in the Far East to capture a larger share of a growing market and to position the DHJ organization to achieve greater profitability in 1979 and future years.

The Latin American affiliates generally enjoyed a successful year although some operated at levels below 1977. The Brazilian company posted a decline in sales and a significant drop in income due to extensive price cutting in the market. However, overall market share was retained and management expects a marked improvement in the future.

The textile market in western Europe was generally depressed. Cotton interlining sales were down primarily due to a substantial decline in sales in Italy, where industry generally is experiencing a severe recession caused in large part by the Italian government's efforts to control inflation. Sales of nonwoven products, however, continued to increase during the year and, for the first time, exceeded the sales of woven goods.

Denim sales in Europe continued at a reduced level reflecting market conditions. The Tunisian mills which supply our distribution units operated at only 60% of capacity. The quality of Tunisian denim, however, reached acceptable levels during the year, largely through the efforts of Dominion Textile's technical assistance team.

In April 1977, the Group acquired a two-thirds interest in the various companies selling DHJ products in the United Kingdom. Since that time both volume and profits have improved significantly. In October 1977 Snare and Clayton Limited, a manufacturer of shirt packaging components, was acquired giving the DHJ Group a major share of the U.K. market.

An encouraging improvement in European marketing conditions was noted in the spring of 1978 with renewed activity in the various spinning and weaving facilities. It is anticipated that this improvement will be accelerated in the fall of 1978, although the market, generally, is expected to remain at a considerably lower level than has been customary. However, with reduced overhead, and a generally streamlined operation, the DHJ Industries Group is well placed to derive maximum benefit from market opportunities.

PLANTS AND SUBSIDIARIES

DHJ Industries Inc., New York, New York
Thomas R. Bell, Chairman of the Board and Chief Executive Officer
Charles A. McCrae, President and Chief Operating Officer
Bert Schwarz, Executive Vice-President —Interlining Division
David Friedlander, Executive Vice-President
Norman H. Block, Executive Vice-President—Finance and Administration
Harry Krieger, Vice-President—Cut Linings
Charles T. Marth, Jr., Vice-President —Operations
Walter M. Moede, Vice-President and Treasurer
Morton H. Zisk, Vice-President and Director of Merchandising
Joseph G. Salloum, Comptroller
Neil Felsen, Assistant Treasurer

Interlining and interfacing fabrics and die-cut linings—wovens, non-wovens and fusibles; plastic products—collar stays, supports, injection moldings

Plants: Collierville, Tennessee; East Setauket, L.I., New York; Greenville, South Carolina; Plymouth, Massachusetts

DHJ Knit Finishing Co., Inc., Hickory, North Carolina
Richard Hewitt, Director of Operations
Commission dyeing and finishing

Swift Textiles, Inc., Columbus, Georgia
John A. Boland, Jr., President
Indigo-dyed denim

Ouachita Finishing Co. Inc., Monroe, Louisiana
Leonard Hallows, Plant Manager
Interlining fabrics wet finishing; fusible coating

DHJ Industries Europe S.A., Paris, France
William N. Gagnon, President and Director General
Interlining fabrics

Dubin-Haskell-Jacobson Distribution SpA, Milan, Italy
Renato Rivetti, President
Ercole Morino, Managing Director
Interlining fabrics and die-cut linings

DHJ Industries Deutschland GmbH, Bielefeld, West Germany
Dr. Ferdinand Langenkamp, Managing Director
Interlining fabrics and die-cut linings

DHJ Distribution (U.K.) Ltd., London, England
Jack Stanhope, Chairman and Managing Director
Interlining fabrics, die-cut linings and packaging

Dubin-Haskell-Jacobson de Argentina, S.A.C.I., Buenos Aires, Argentina
O. Rafael Soler, President and Managing Director
Interlining fabrics and die-cut linings

DHJ Canadian Ltd., Montréal, Québec
Albert E. Wilcox, Vice-President and General Manager
Interlining fabrics

Affiliates: Austria, Brazil, Chile, Colombia, France, Hong Kong, Italy, Malaysia, Mexico, Portugal, Singapore, South Africa, Spain, Taiwan, Venezuela

Sales
Consolidated sales reached $560 million in the year ended June 30, 1978, an increase of 12.2%.

Sales by quarter were as follows:

	1978	1977
	($ millions)	
First quarter	**$116.2**	$114.2
Second quarter	**145.0**	120.1
Third quarter	**145.7**	129.6
Fourth quarter	**153.1**	135.0
	$560.0	$498.9

Net income
Consolidated net income was $18.2 million or $2.31 per share. This represents an increase of approximately 36% over the previous year. Last year, net income was $13.3 million or $1.71 per share, after an extraordinary item equalling 16 cents per share. The extraordinary item applied to a write-off of the present value of leases and amortization of other machinery, both of which related to the Knit Division operations in the U.S.A.

On a fully-diluted basis, which assumes full conversion of the 5¾% Convertible Debentures at the beginning of the year under review, earnings per share would have been $2.04 compared with $1.51 for the previous year.

Consolidated earnings per share by quarter are shown in the following table:

	1978	1977
First quarter	**$0.28**	$0.23
Second quarter	**0.53**	0.34
Third quarter	**0.69**	0.49
Fourth quarter	**0.81**	0.65
	$2.31	$1.71*

**After extraordinary loss of $0.16 per share.*

Net income as a percentage of sales improved to 3.3% from the previous year's 2.7%. The return on average shareholders' equity also showed good improvement to 13.8% compared with 11.1% in fiscal 1977.

The inventory tax credit reduced the income tax provision on Canadian operations by about $1.5 million and as a result the consolidated effective tax rate was about 40% or four percentage points lower than for the preceding year.

The Company has substantial working capital denominated in United States' dollars and other foreign currencies and when the value of these currencies fluctuates against the Canadian dollar foreign exchange translation gains and losses may arise. The year under review produced a translation gain of $388,000 whereas the prior year's translation gain was $1,133,000.

As in the previous year, the 20% interest in Swift Textiles held outside Dominion Textile Limited accounted for most of the $1.6 million share of earnings attributable to minority interests.

Working capital
Accounts receivable at $91.3 million showed a year-to-year increase of 12.7% mainly due to the higher level of sales in the fourth quarter of fiscal 1978.

The Company's largest balance sheet item is inventories which stood at $156.8 million at year-end. Inventories were kept under tight control and rose only 8.3% in spite of a sales increase of 12.2%.

While the current portion of long term debt increased by $4.6 million this was more than offset by a substantial decrease of $9.8 million in short term borrowings.

Working capital was up appreciably at the end of the fiscal year and the ratio of current assets to current liabilities improved to 2.1:1.

Fixed assets
Capital expenditures totalled $19.2 million and the provision for depreciation was $13.9 million. Expenditures in Canada amounted to $13.4 million of which about $6.8 million was spent at Drummondville and Magog, Québec, on the new facilities for manufacturing denim for the Canadian market.

Of the $5.8 million expenditure outside Canada, $2.0 million was for the new interlining finishing plant in Monroe, Louisiana, and $2.8 million was spent by Swift Textiles as part of its continuing program of maintaining and updating its modern denim manufacturing facility at Columbus, Georgia.

In fiscal 1979, capital expenditures are again expected to be of the order of $20 million.

An adjustment to the carrying value of its fixed assets was made on the acquisition of DHJ Industries Inc. This was reduced during the year by $2.3 million in accordance with our policy of writing down the balance as DHJ's tax loss carry-forward is utilized. At June 30, 1978, the unamortized balance of the adjustment stood at $3.1 million.

Long term debt
Total long term debt was reduced by $2.0 million during the year to $108.1 million. Long term debt obligations outside Canada declined $4.0 million despite new loans arranged to finance the finishing plant in Monroe.

The agreement with creditors which DHJ Industries entered into in May 1975 when Dominion Textile acquired the company expires in November 1978. All the obligations under that agreement have been met and the trade creditors will have been paid in full when the agreement expires.

Note 6 to the financial statements states that DHJ has obtained letters of intent and will enter into amended financing arrangements extending the terms of payment on loans of US $23,000,000 from banks and insurance companies. These arrangements were completed during the month of August 1978. Since it was acquired by Dominion Textile, DHJ's financial position has improved substantially and continues to strengthen.

The Company purchased $681,000 of its Series A and $184,000 of its Series B debentures and at June 30, 1978 held $2,241,000 and $815,000 respectively in anticipation of sinking fund requirements for these two issues.

During the year $2.2 million of the 5¾% Convertible Debentures were exchanged for convertible shares and this reduced the outstanding amount of these debentures to $12.5 million. Until October 1982, the Convertible Debentures may be exchanged on the basis of 90 shares for each $1,000 debenture.

Shareholders' equity
At a special general meeting following the annual meeting of October 19, 1977, the shareholders approved a by-law providing for an increase in the authorized capital of the Company by the creation of 3,000,000 Second Preferred Shares. These shares may be issued in different series provided the aggregate value of all series does not exceed $30 million. No preferred shares were issued during the year.

In the year ended June 30, 1978, 202,320 convertible shares were issued in exchange for Convertible Debentures. The number of shares outstanding at year-end was 8,013,132, and the average number of shares outstanding during the year was 7,855,156.

The book value per share of the Company rose to $17.37 or nearly 10% higher than the $15.85 per share of a year earlier.

The Company's shares are traded on the Montréal and Toronto Stock Exchanges and the range of market prices over the past two years was as follows:

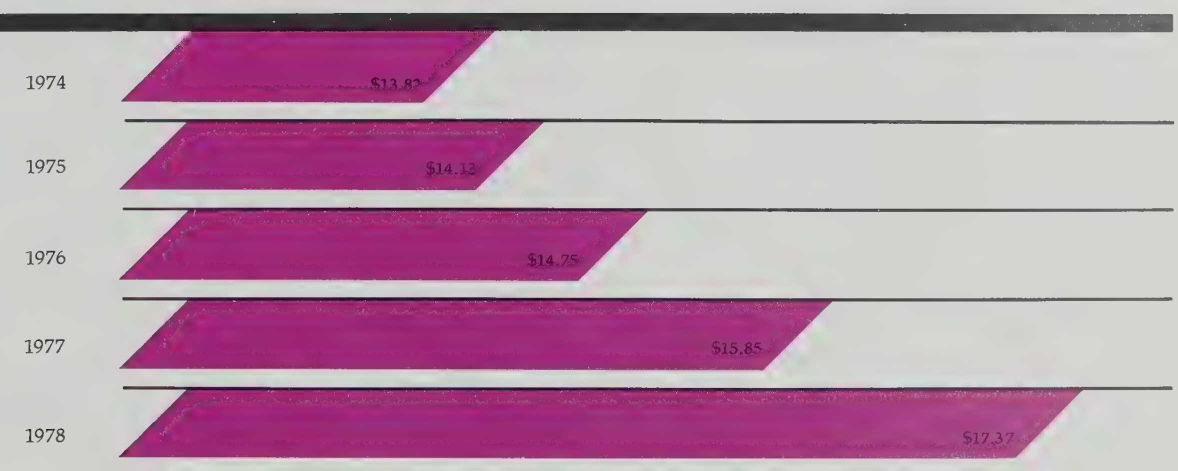
	Year ended June 30, 1978		Year ended June 30, 1977	
	High	**Low**	High	Low
July—September	**$9⅛**	**$7⅞**	$9½	$8½
October—December	**9¼**	**8**	8½	7
January—March	**9¾**	**8⅛**	7⅞	6⅞
April—June	**12¼**	**9¼**	8¼	7¼

During the 12 months to June 30, 1978, 1,882,400 shares were traded compared with 1,107,300 the previous year.

Effective with the dividend declared on March 15, 1978, the dividend rate per convertible share was increased from $0.15 to $0.17 per quarter. Dividends have been paid each year on the Company's convertible or common shares for 71 consecutive years.

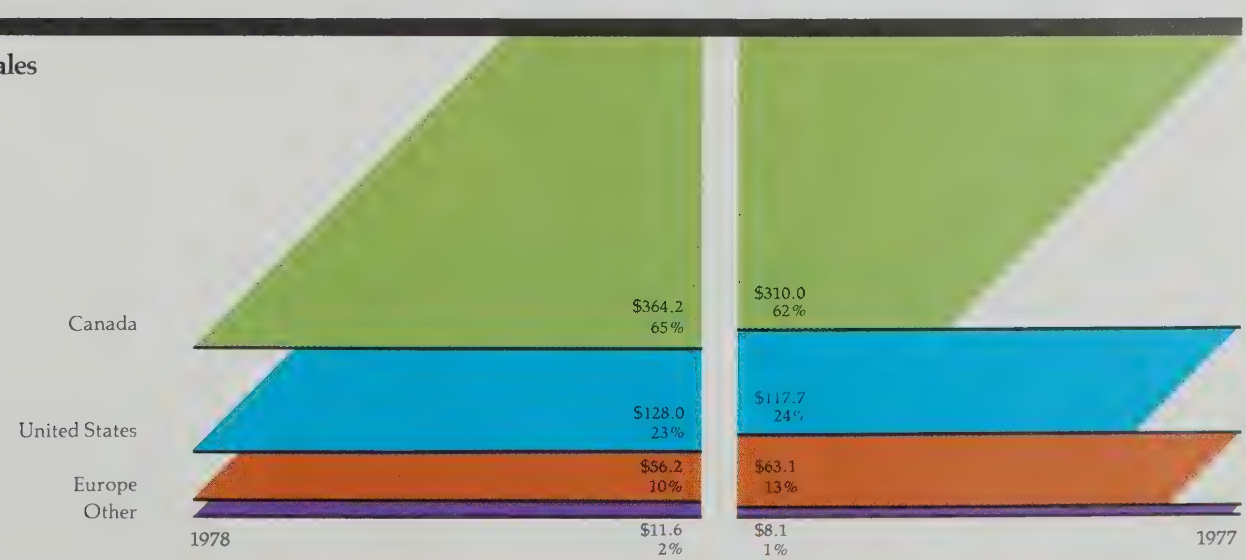
Net income and cash generation per share

Book value per share



Geographical distribution of sales

(millions of dollars)



Consolidated Balance Sheet

as at June 30

	1978	1977
	(in thousands of dollars)	*(in thousands of dollars)*
Current assets		
Cash	$ 4,409	$ 7,223
Accounts receivable	91,288	80,993
Inventories (Note 2)	156,789	144,716
Prepaid expenses	5,995	3,019
	258,481	235,951
Deduct:		
Current liabilities		
Short term borrowings (Note 3)	47,736	57,539
Accounts payable and accrued liabilities	52,738	43,295
Dividends payable	1,368	1,170
Income and other taxes	8,955	8,580
Long term debt due within one year	13,145	8,582
	123,942	119,166
Working capital	134,539	116,785
Investments and advances (Note 4)	10,991	12,406
Land, buildings and equipment (Note 5)	115,988	112,709
Other assets	1,104	1,217
Funds invested	$262,622	$243,117
Financed by:		
Long term debt (Note 6)	$108,059	$110,082
Deferred income taxes	9,289	4,433
Minority shareholders' interest in subsidiary companies	5,755	4,438
Shareholders' equity		
Capital stock (Note 9)	23,129	20,888
Retained earnings	116,390	103,276
	139,519	124,164
	$262,622	$243,117

On behalf of the Board:

Director

Director

Consolidated Statement of Income

for the year ended June 30

	1978	1977
	(in thousands of dollars)	*(in thousands of dollars)*
Sales	$559,965	$498,939
Costs and expenses		
Operating costs	502,113	447,776
Depreciation	13,869	13,921
Interest		
Long term debt	7,827	6,212
Other	6,011	7,807
	529,820	475,716
	30,145	23,223
Share in earnings of associated companies	553	1,799
Income from operations	30,698	25,022
Other income (Note 11)	1,213	543
Income before income taxes	31,911	25,565
Income taxes	12,518	10,433
	19,393	15,132
Gain on translation of foreign currencies	388	1,133
Minority interest	(1,610)	(1,672)
Net income before extraordinary item	18,171	14,593
Extraordinary item	—	1,249
Net income for the year	$ 18,171	$ 13,344
Per share, after preferred dividends (Note 10)		
Before extraordinary item	$ 2.31	$ 1.87
After extraordinary item	$ 2.31	$ 1.71

Consolidated Statement of Retained Earnings

for the year ended June 30

	1978	1977
	(in thousands of dollars)	*(in thousands of dollars)*
Retained earnings at beginning of year	$103,276	$ 94,643
Net income for the year	18,171	13,344
	121,447	107,987
Deduct:		
Dividends—		
7% Preferred	24	25
Convertible	5,033	4,686
per convertible share		

	1978	1977
Class A	$0.64	$0.60
Class B	0.64	0.5325
Tax on Class B	—	0.0675

	1978	1977
	5,057	4,711
Retained earnings at end of year	$116,390	$103,276

Consolidated Statement of Changes in Financial Position for the year ended June 30

	1978	1977
	(in thousands of dollars)	*(in thousands of dollars)*
Source of funds		
Net income for the year before extraordinary item	$18,171	$14,593
Depreciation	13,869	13,921
Deferred income taxes	4,839	1,321
Dividends received from associated companies in excess of share in earnings	714	(1,390)
Cash generated from operations	37,593	28,445
Proceeds from issue of 10½% Sinking Fund Debentures, Series D	12,000	—
Increase in other long term debt	4,492	14,903
Issue of convertible shares	2,249	—
Minority interests' share of earnings in subsidiaries, net of dividends paid	1,174	1,524
Proceeds on sale of fixed assets	599	931
Realization of tax benefit	2,261	2,149
Other items—net	165	(68)
	$60,533	$47,884
Use of funds		
Repayment of long term debt	$18,515	$ 9,228
Additions to fixed assets	19,207	22,056
Extraordinary item	—	1,249
Dividends	5,057	4,711
	$42,779	$37,244
Increase in working capital	$17,754	$10,640

Auditors' Report

The Shareholders,
Dominion Textile Limited.

We have examined the consolidated balance sheet of Dominion Textile Limited as at June 30, 1978 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at June 30, 1978 and the results of its operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Montréal, Québec
August 7, 1978

Notes to Consolidated Financial Statements

June 30, 1978

Note 1—Accounting policies

The following summary of major accounting policies is presented to facilitate the interpretation of the financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements are prepared in accordance with generally accepted accounting principles and include the accounts of the Company and all its subsidiary companies, with provision for the interest of minority shareholders. All significant inter-company items are eliminated.

The acquisitions of all subsidiary companies are accounted for on a purchase basis and for subsidiary companies acquired prior to June 30, 1974 the net excess of the cost of the Company's investment over the aggregate net assets acquired has been written-off against retained earnings.

Subsequent to June 30, 1974, the Company acquired the shares of DHJ Industries Inc. and its assets and liabilities as at the date of acquisition (adjusted to appropriate carrying values as at that date) have been consolidated with those of the Company.

As at May 31, 1978 DHJ Industries Inc. has a balance of unrealized future tax benefit arising from loss carry-forwards incurred prior to acquisition being available to reduce future income taxes otherwise payable. It is the intention of the Company to apply this credit when realized, to the extent necessary, to offset the adjustment to carrying values of DHJ Industries Inc. as at the date of acquisition. For the year ended May 31, 1978 the tax benefit of $2,261,000 has been so applied and the balance of the adjustment to carrying values as at May 31, 1978 was $3,111,000.

FOREIGN EXCHANGE

Current assets and liabilities in foreign currencies are converted at the exchange rates prevailing at the balance sheet dates. Fixed assets and long term liabilities are converted at rates prevailing at the dates of acquisition. Income and expenses in foreign currencies are converted at the actual exchange rates prevailing at the dates of transactions or at average exchange rates for the year.

CONSISTENCY

The accounting principles are consistently followed from year to year except for occasional changes to reflect improved accounting practices, in which case the effect of any material change is duly indicated.

INVENTORY VALUATION

Materials and supplies in inventories are valued at the lower of average cost and net realizable value. The cost of work in process and finished goods inventories includes raw materials, direct labour and certain manufacturing overhead expenses. Adequate provision is made for slow-moving and obsolete inventories.

MARKETABLE SECURITIES

Marketable securities are valued at average cost and when they are sold, the resulting gain or loss is included in net income.

INVESTMENTS IN ASSOCIATED COMPANIES

The investment in associated companies is carried at the Company's equity therein and the Company's share of the net income or loss of such companies is recorded in the period in which it is incurred.

FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at historical cost. Depreciation is provided on a straight-line basis at rates which amortize the cost of the assets over their economic life.

When fixed assets are sold or scrapped, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in net income.

INCOME TAXES

The Company provides for income taxes based on income reported in the financial statements. The amount of income taxes actually payable for the year may differ from the total income tax provisions as a result of timing differences between the recognition of expense for accounting and for income tax purposes. The tax effect of these differences is reflected in the accounts as deferred income taxes.

PENSIONS

There are a number of pension plans for hourly-paid and salaried employees of the Company and its subsidiaries both of a contributory and non-contributory nature. All pension plans are trusteed and are being funded. The current service cost portion of these plans is absorbed in the period in which the service that gives rise to the entitlement is rendered. The unfunded past service pension liability is estimated to be $6,962,000 at June 30, 1978, and is to be amortized on a systematic basis.

Pension payments made to retired employees who are not covered by these plans are charged to operations when paid.

Note 2—Inventories	1978	1977
	(in thousands of dollars)	*(in thousands of dollars)*
The main inventory classifications are as follows:		
Raw materials	$ 42,366	$ 38,625
Work in process, including grey fabric in bales for further processing	47,806	47,535
Finished goods	57,432	50,287
Supplies	9,185	8,269
	$156,789	$144,716

Note 3—Short term borrowings

Bank borrowings of $14,300,000 by subsidiary companies are secured by assignment of accounts receivable and inventories.

Note 4—Investments and advances	1978	1977
	(in thousands of dollars)	*(in thousands of dollars)*
Marketable securities—at average cost (market value 1978—$3,808,000 1977—$4,265,000)	$ 3,347	$ 3,934
Investment in associated companies valued at equity	6,776	7,620
Other investments and advances—at cost	868	852
	$ 10,991	$ 12,406

Note 5—Land, buildings and equipment—at cost	1978	1977
	(in thousands of dollars)	*(in thousands of dollars)*
Land and buildings	$100,275	$ 96,014
Machinery and equipment	226,588	217,408
	326,863	313,422
Less: Accumulated depreciation	210,875	200,713
	$115,988	$112,709

Note 6—Long term debt	1978	1977
	(in thousands of dollars)	*(in thousands of dollars)*
Dominion Textile Limited		
Secured		
Sinking Fund Debentures		
5⅝% Series A due March 31, 1988	$ 21,119	$ 21,800
6¾% Series B due April 15, 1990	9,060	9,244
10½% Series D due July 15, 1989	12,000	—
The annual Sinking Fund payments required are:		
Series A — 1979 to 1987 $960,000		
Series B — 1979 to 1989 375,000		
Series D — 1979 to 1988 900,000		
The Company has purchased $2,241,000 Series A and $815,000 Series B in anticipation of these payments.		
Term Notes—secured by Series C Collateral Debenture		
—Payable 1979 to 1983—Interest at 7% (US $4,100,000)	4,152	4,152
—Payable 1979 to 1980—Interest at prime plus ¾%	2,232	3,404
The debentures are secured by a floating charge on all the assets (except real and immovable properties) of the Company.		
Other mortgages and loans	2,387	2,391
Unsecured		
5¾% Convertible Debentures due October 12, 1992. Convertible at the holders' option at any time up to and including October 11, 1982 into 90 convertible no par value shares for each $1,000 of principal.	12,491	14,739
Seven year term note, due 1979 to 1982, at interest rates which fluctuate with changes in the New York prime rate or the London inter-bank rate at the Company's option. The average interest rate in effect at June 30, 1978 was 9% (US $8,500,000)	8,846	9,783
9½% term note, due 1979 to 1984	1,925	2,175
	74,212	67,688
Deduct: Amounts due within one year—included in current liabilities	3,075	2,456
	$ 71,137	$ 65,232
DHJ Industries Inc. and other foreign subsidiaries		
Loans subject to financing arrangements described below:		
—Term Notes payable to banks and insurance companies	$ —	$ 23,525
—Term Notes—Insurance Companies—Interest at 11%	13,381	—
—Banks— Interest at prime plus 2%	7,247	—
—Bank Revolving Loan Agreement due July 1981—Interest at prime plus 1½%	5,018	—
Trade Creditors—payable in instalments to November 1978 without interest	1,472	4,150
Term note payable November 1978—Interest at 5%	351	430
Bank term notes repaid	—	4,980
Net present value of leases payable 1978 to 1985—Interest at average rate of 9%	9,514	10,048
Bank term notes payable 1980 to 1983 —Interest at prime plus 1½%	3,139	1,958
Mortgage payable 1979 to 1993—Interest at 9½%	2,287	2,345
Industrial Revenue Bonds—due 1984 to 1992—Interest at average rate of 6.7%	1,080	—
Other long term liabilities	3,503	3,540
	46,992	50,976
Deduct: Amounts due within one year—included in current liabilities	10,070	6,126
	36,922	44,850
Total long term debt	$108,059	$110,082

DHJ Industries Inc. has obtained letters of intent and will enter into amended financing arrangements extending the terms of payment on loans of US $23,000,000 from banks and insurance companies. The term notes are payable *pari passu:* (a) US $3,750,000 by December 1, 1978; (b) eighteen quarterly instalments of US $375,000 commencing February 28, 1979 and (c) a final instalment of US $8,000,000 in July, 1983. The Bank Revolving Loan Agreement of US $4,500,000 is automatically extendible under certain circumstances to July, 1983.

Note 6—Long term debt (cont'd)

The provisions of these agreements impose certain restrictions on DHJ Industries Inc. and certain of its subsidiaries, and require, among other things, that they:—

1) maintain working capital and net worth above certain minimum levels,
2) maintain the ratio of debt to net worth within prescribed limits, and
3) limit operating losses (defined to exclude most non-cash charges) which may be incurred by the operations of DHJ Industries Inc. and certain subsidiaries in the United States,
4) limit the payment of dividends to the parent company.

The extended debt is secured by a charge on the shares of certain subsidiaries.
These loans can be prepaid at any time at the Company's option without penalty.

Note 7—Leases

The total obligation for building and equipment leases which expire at various dates from 1979 to 1998 is $19,950,000. The maximum annual rental commitment in any one year is $2,500,000.

Note 8—Contingencies

Notes receivable discounted by foreign subsidiaries amount to approximately $4,660,000.

Note 9—Capital stock			**1978**	1977
			(in thousands of dollars)	*(in thousands of dollars)*
7% Cumulative First Preferred				
Authorized —4,306 shares $100 par value				
Outstanding—3,412 shares (1977—3,487 shares)			**$ 341**	$ 349
Second Preferred				
Authorized—3,000,000 shares stated value not to exceed $30,000,000. (Supplementary letters patent dated November 7, 1977).				
Convertible				
Authorized—22,500,000 Class A shares no par value				
—22,500,000 Class B shares no par value				
	1978	1977		
Issued —Class A shares	**7,622,235**	7,461,885		
—Class B shares	**390,897**	348,927		
	8,013,132	7,810,812	**22,788**	20,539
			$23,129	$20,888

(a) The Class A and Class B shares are voting, convertible into one another on a share for share basis and rank equally in all respects with the exception of the payment of dividends. The dividends on the Class B shares may be paid out of "tax paid undistributed surplus on hand" or "1971 capital surplus on hand" as defined in the Income Tax Act. During the year, the dividends were paid out of "1971 capital surplus on hand." Canadian shareholders will not be required to include such dividends in their taxable income. A corresponding decrease in the cost base will increase capital gains on disposal of the shares. Current legislation terminates this tax treatment of dividends on Class B shares after December 31, 1978.

(b) The Deeds of Trust and Mortgage relating to the Series A, Series B, Series C and the Series D Debentures contain certain restrictions, customarily found in Deeds of this type, pertaining to the amount of long term debt which may be issued, the declaration or payments of dividends and the reduction of capital. At June 30, 1978 the amount of shareholders' equity not restricted under the terms of the Trust Deeds was $33,209,000.

(c) 1,124,190 of the authorized Class A and Class B shares are reserved for the possible conversion of convertible debentures at any time up to and including October 11, 1982.

Note 10—Earnings per share

If the Company's $5^3/_4$% Convertible Debentures had been converted at the beginning of the fiscal year, the earnings per share on the net income for the years ended June 30, 1978 and 1977 would have been $2.04 and $1.51 respectively.

Note 11—Other income and (expenses)	**1978**	1977
	(in thousands of dollars)	*(in thousands of dollars)*
Income from marketable securities and other investments	**$ 294**	$ 242
Profit (loss) on sale of fixed assets and marketable securities	**207**	(139)
Royalties, commissions and other income	**712**	440
	$1,213	$ 543

Note 12—Remuneration of Directors and Officers		**1978**		1977
		(in thousands of dollars)		*(in thousands of dollars)*
	Number	**Amount**	Number	Amount
As Directors of the Company	**11**	**$ 65**	11	$ 64
As Officers of the Company	**24**	**2,141**	22	1,911
Officers who are also Directors	**2**		2	

Note 13—Canadian anti-inflation legislation

The Company and its Canadian subsidiaries are subject to the anti-inflation legislation. The legislation has been adhered to since the effective date and further, based on compliance tests, the companies have no material liability under the provisions of the Act.

Directors

Jean Béliveau, Montréal
Vice-President
Club de Hockey Canadien, Inc.

* Thomas R. Bell, Montréal
President and Chief Executive Officer
Dominion Textile Limited

* J. Claude Hébert, D.F.C., Montréal
Business Consultant

Roderick O. A. Hunter, Winnipeg
Company Director

Charles A. McCrae, New York
President and Chief Operating Officer
DHJ Industries Inc.

* D. Ross McMaster, Q.C., Montréal
Partner
McMaster Meighen

Cal. N. Moisan, Montréal
President and General Manager
Standard Paper Box Ltd.

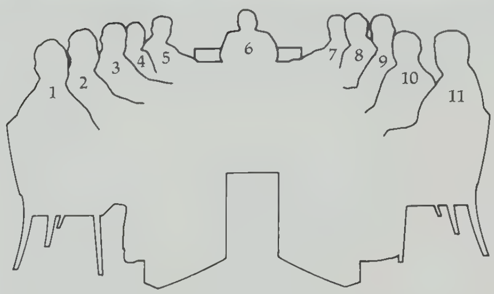
Arthur Pascal, CM, Montréal
Executive Vice-President
J. Pascal Limited

* Ronald H. Perowne, Montréal
Chairman of the Board
Dominion Textile Limited

David F. Sobey, Stellarton, Nova Scotia
President
Sobeys Stores Limited

Kenneth A. White, C.D., Montréal
Chairman of the Board, President and Chief Executive Officer
The Royal Trust Company

* Member of the Executive Committee



1. D. Ross McMaster, Q.C.; 2. Roderick O.A. Hunter; 3. David F. Sobey; 4. Kenneth A. White, C.D.; 5. Thomas R. Bell; 6. Ronald H. Perowne; 7. Arthur Pascal, CM; 8. Cal. N. Moisan; 9. Charles A. McCrae; 10. J. Claude Hébert, D.F.C.; 11. Jean Béliveau.

Officers

Ronald H. Perowne
Chairman of the Board

Thomas R. Bell
President and Chief Executive Officer

Francis P. Brady, Q.C.
Senior Vice-President—Corporate Services

Harry Braid
Vice-President, General Manager—Consumer Products Division

Arthur P. Earle
Senior Vice-President—Operation Services

Ilay C. Ferrier
Senior Vice-President—Finance

Alex R. McAslan
Vice-President, General Manager—Industrial Fabrics Division

William A. McVey
Vice-President, General Manager—Apparel Fabrics Division

Robert M. Wilson
Vice-President, General Manager—Sales Yarn Division

André Bélanger
Vice-President

Hubert Chatelois
Vice-President

Allan R. Evans
Vice-President—Marketing Sales Yarn Division

William N. Gagnon
Vice-President

W. Hood Gambrell
Vice-President—Finishing Plants

Robert W. Kolb
Vice-President—Development Research

E. John Macfarlane
Vice-President

Lawrence G. McDonough
Vice-President—Grey Manufacturing, Apparel Fabrics Division

Clifton M. Beck
Secretary

Stephen J. Weir
Comptroller

Richard G. Munro
Treasurer

Laurie W. Alnwick
Assistant Treasurer

Ten-year Review

Results for the year (in millions of dollars)	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
Sales	**$560.0**	$498.9	$475.4	$273.4	$336.2	$257.3	$228.0	$191.4	$167.8	$173.3
Income before income taxes	**31.9**	25.5	22.3	12.3	33.1	15.8	14.2	8.0	4.8	3.3
Income taxes (credit)	**12.5**	10.4	8.8	5.2	14.3	7.0	7.0	3.7	1.5	(1.8)
Gain (loss) on translation of foreign currencies	**.4**	1.1	(2.7)	—	—	—	—	—	—	—
Minority interest	**(1.6)**	(1.7)	(1.2)	—	—	—	—	—	—	—
Extraordinary item	—	(1.2)	—	—	—	—	—	.9	1.3	—
Net income for the year	**18.2**	13.3	9.6	7.1	18.8	8.8	7.2	5.2	4.6	5.1
Interest—Long term debt	**7.8**	6.2	6.0	3.2	3.0	3.0	2.4	2.7	2.9	3.1
—Other	**6.0**	7.8	7.8	5.1	5.0	2.6	2.2	2.4	2.7	2.3
Cash generated from operations	**37.6**	28.4	25.1	21.9	34.8	24.6	22.2	16.4	14.4	12.8
Additions to fixed assets	**19.2**	22.1	18.7	21.7	17.8	24.7	11.7	6.7	4.8	2.8
Depreciation	**13.9**	13.9	14.2	12.1	12.3	11.0	10.6	10.0	9.6	9.6
Year-end position (in millions of dollars)										
Working capital	**134.5**	116.8	106.1	105.6	84.1	67.6	54.7	52.3	48.5	47.4
Land, buildings and equipment —at cost	**326.9**	313.4	304.7	294.5	246.3	230.3	201.8	186.0	181.0	177.0
Long term debt	**108.1**	110.1	104.4	109.7	54.8	53.7	38.8	40.0	43.3	45.4
Shareholders' equity	**139.5**	124.2	115.5	110.5	108.3	93.6	88.3	85.8	84.2	81.6
Statistics per convertible share (in dollars)										
Net income	**2.31**	1.71	1.23	.91	2.40	1.12	.92	.66	.59	.64
Cash generation	**4.78**	3.64	3.22	2.81	4.46	3.15	2.84	2.10	1.84	1.63
Dividends	**.64**	.60	.60	.60	.50	.37	.30	.27	.20	.20
Book value	**17.37**	15.85	14.75	14.13	13.82	11.92	11.24	10.91	10.70	10.31
Other statistics										
Working capital ratio	**2.1**	2.0	1.9	1.9	2.1	1.9	1.9	2.0	2.0	2.0
Net income as a percentage of sales	**3.3**	2.7	2.0	2.6	5.6	3.4	3.2	2.7	2.8	2.9
Net income as a percentage of average shareholders' equity	**13.8**	11.1	8.5	6.5	18.6	9.6	8.3	6.1	5.6	6.4
Number of shareholders	**5,725**	5,735	6,002	6,264	6,218	6,371	5,757	6,602	6,947	7,128
Average number of convertible shares outstanding (in thousands)	**7,855**	7,811	7,809	7,798	7,788	7,787	7,787	7,787	7,787	7,787

Highlights of the 1978 Annual and Special General Meeting and Interim Report

for the three months
ended September 1978

Texmade

dominion textile limited

CONTENTS

CONTINUANCE and GENERAL BY-LAWS

At the special general meeting of shareholders Continuance under the Canada Business Corporations Act was sanctioned by a vote of 5 259 918 shares in favour, or over 99% of the votes cast, with 930 shares against; and the new General By-laws 1 to 17 were sanctioned and confirmed by a vote of 5 256 868 shares in favour, or over 99% of the votes cast, with 4 130 shares against.

ADDRESS TO SHAREHOLDERS

Thomas R. Bell
President

It is very pleasant to be able to stand here for the first time to deliver the annual address to the shareholders having had behind you the kind of results Dominion Textile had in the year ended June 30, 1978.

We improved our net income for the year to $18 171 000 from $13.3 million the previous year. In earnings per share these figures represented $2.31 and $1.71 respectively.

Although this is an age of inflation, we wouldn't be telling the truth if we didn't admit that it gave us a feeling of pride and achievement to pass the half-billion landmark comfortably with sales of $560 million in fiscal 1978. In the past three years, our sales have more than doubled.

Many of the shareholders here present will have read the Annual Report so I won't go into the events of the year in great detail. However, I would like to touch upon a few of the highlights.

Highlights

At the beginning of our last year business in Canada was not particularly good, excepting in the Yarn Division. We did, however, feel ready should conditions in the market improve.

Conditions started to improve during the first quarter and they have been improving ever since. The excessive quantity of garment imports from low-wage countries was reduced to more rational levels and the lower value of the Canadian dollar made domestic-manufactured goods more competitive. As output increased and our plants started reaching capacity, unit costs declined. Under such conditions we can make money and we don't have to increase prices exorbitantly to do it. We quoted some statistics in the Annual Report on the very moderate textile price increases in the twelve months to June 30, 1978, compared with most sectors of the economy.

And the following simple truth should be stated for anyone who needs to hear the message: if an

economic climate exists in which business can earn a fair, reasonable, and adequate profit, then employment will rise. At June 30, 1978, there were 675 more Canadians carrying Dominion Textile pay cheques back to their homes than there were a year earlier. We are extremely pleased that — because we have been busy and because we have been profitable — we have been able to help enhance the gross national product, we have been able to reduce unemployment with real and meaningful jobs and we have been able to increase a dividend which had not been raised for four years.

The Textile Industry

At this juncture, ladies and gentlemen, permit me to digress for a few moments from my comments on Dominion Textile's operations and concentrate on the rather highly public debate which has been going on for the past year concerning the viability of the textile industry in Canada. In the process, I hope I can clear up a few myths about our industry that continue to linger and should definitely be put to rest.

The debate was sharply focussed during the past few months. Certain economic bodies, albeit highly reputable ones, appear to advocate the phasing out of large segments of the textile and garment industries in Canada.

On the other hand, as was pointed out in our Annual Report, a Government-appointed task force comprising labour and management leaders of the clothing and textile industries, retailers, academics and provincial government observers recently made strong, unanimous recommendations to the Federal Government for maintaining a broadly-based industrial structure in Canada, including a revitalized and strengthened textile and clothing industry.

Why these diametrically opposed views?

Is the textile industry really a coddled industry which has a uniquely high tariff wall to protect it from foreign competition?

Is the textile industry not satisfying the demands of the sophisticated Canadian consumer in terms of style, quality and price performance?

Is the textile industry the only industry that "enjoys" some form of positive government intervention?

Is the industry not making a significant contribution to the Canadian economy in terms of productive employment and improved balance-of-trade?

I most strongly suggest that these questions have not been objectively evaluated by those who advocate a phasing out of our industry.

We find it strange, for example, that recommendations having the most serious impact on the fate of the industry in Canada were made by the Economic Council of Canada without any contact or consultation whatsoever with the leaders of the industry who are responsible for its operations in the real marketplace.

The time available today will not permit the elaboration of a complete rebuttal, but a few home truths will go a long way to dispel most of the prevailing myths: —

- The textile and clothing industries, with an annual shipment value exceeding $6 billion, providing some 200 000 direct and an additional 300 000 supporting jobs, remain a most important segment of Canadian manufacturing industry. They continue to represent 1 out of 8 jobs in manufacturing in Canada and 1 out of 4 in Quebec.
- The textile industry in particular is an ideal blend of capital intensity and employment potential. The cost of providing a job today in a weaving mill is about $150 000 and in a finishing plant $200 000.
- An industry having a less than 50% share of its domestic market can in no way be described as coddled or over-protected.
- An industry whose price performance over the last decade, both in the textile and garment sector has been exemplary, with increases consistently below that of the "all manufacturing industry" average cannot be accused of ripping-off the Canadian consumer.
- Are there not agricultural and fishing subsidies, shipbuilding subsidies, special depletion allowances in many natural resource industries, and highly subsidized ventures in "high technology industries" such as aircraft production? Were not unusually high grants made available to the automotive industry by both Federal and Provincial governments? Certainly the textile industry has not been accorded such special consideration.
- In your own experience is not the cost of toothpaste, a T.V. set, golf clubs, an automobile or you name it, more expensive in Canada than in the United States? The answer is obvious. The differential in textile prices in the two countries represents only another example of the overall price we pay to be Canadians — no more, no less.

The benefits from strengthening the textile and clothing industry would give a real boost to the economy. Dominion Textile is one of the largest employers in Canada. Our lowest paid plant employees average $5.00 per hour and our skilled craftsmen receive in excess of $9.00 per hour, a far cry from minimum wages, and we will shortly be commencing negotiations for new labour contracts.

Surely we have a definite place in the Canadian industrial spectrum!

What are the alternatives? Where are the so-called high technology industries that can provide the much needed jobs? If, in fact, they do materialize, then the law of the marketplace will by itself create the adjustment the theorists appear so anxious to achieve. Until that time, why consider phasing out real jobs for only theoretical alternatives?

I must reiterate with the strongest emphasis possible that the consideration of a policy of phasing-out this industry would be socially and economically irresponsible — I know you will share these views.

DHJ Industries Inc.

I have touched upon some of the highlights of the Canadian operations; let me now turn to DHJ.

DHJ Industries passes a major landmark in a few weeks. The company that was on the verge of bankruptcy when we acquired it in May 1975 has met all of its obligations under the original creditors' agreement.

The trade creditors will have received 100 cents on the dollar, the leasing companies are being paid on schedule and the banks and insurance companies have accepted a restructuring and extension of their portion of the debt. DHJ is still struggling and its balance sheet is still not as strong as we would like but it is fighting the good fight and has contributed to our consolidated earnings in each of the last two years.

In the United States and Europe the general textile tone has been much less buoyant than here in Canada. DHJ has been particularly hard hit in its markets because of the sharp price decline for denim and the reduced production schedule at the Swift Textiles plant in Georgia.

We feel that the worst of the denim decline is now behind us. Denim is still being consumed around the world in very large quantities and a better balance between supply and demand indicates a steady improvement in this area. Swift should show a good return as the year progresses, but it

would be unrealistic to expect the same superlative results of the past two years.

We had not expected that our new finishing plant in Monroe would be as balky coming on stream. We have had difficulty attracting and retaining sufficient trained operators at this Louisiana plant, with the result that problems in quality and service to customers have impaired the Interlining Division's sales efforts. Steady progress is being achieved but we have a distance to go to bring this operation around to the financial return expected of it.

In England we have been negotiating with Staflex International with a view to buying their European distribution companies. This firm has a dominant position in fusible garment interlinings and their products would complement the DHJ product mix very well. A practical melding of the two marketing organizations would result in a much stronger, broader-based interlining company that would make a positive addition to our European business. To date we have not concluded an agreement but are working closely with Staflex as we study all aspects very carefully.

Canadian Operations

On July 1, 1978 Dominion Textile went metric. This was the culmination of three years of planning to implement the changeover and we are now selling our yarn in Canada in kilograms and our fabrics in metres. The massive changeover was accomplished with a minimum of disruption and all costs were absorbed on a pay-as-you-go basis.

I am further pleased to report that the Penmans, Fiberworld and Hubbard labour contracts were successfully re-negotiated for a two year term a few weeks ago. Most of the major contracts affecting the Dominion Textile plants expire in February and negotiations with the various unions concerned will be commencing shortly.

Our business in Canada continues to be very good and our plants here, in nearly every instance, continue to operate at capacity. Order bookings in our Apparel, Consumer and Industrial Divisions are substantially ahead of last year. The Sales Yarn Division operated at very close to capacity all of last year and is expected to continue at this pace.

Our denim business in Canada is excellent. The capital investment made to manufacture denim in this country is yielding its expected payback. We felt that we could compete with denim imported from the United States even before the fall in the Canadian dollar, and this is proving to be the case.

The lower value of the Canadian dollar has made imports less competitive but it has also made our raw cotton more expensive. Most of our cotton comes from the United States and, apart from the currency effect, the price of cotton itself has been going up. Last year our cotton purchases for Canada cost us about $60 million and, while we try to anticipate rising cotton prices and to buy some of our future requirements when prices are more favourable, our shareholders will see from the amount of dollars involved what a significant increase these factors could add to our raw material costs.

There is no textile machinery made in Canada and Dominion Textile buys most of its textile machinery and spare parts in the United States, Switzerland and West Germany. In the past year the currencies of the three countries have risen appreciably in relation to the Canadian dollar. The percentage increases are even more startling when compared to June 1976 — 22% for the U.S. dollar, 67% for the Deutschmark and 93% for the Swiss franc.

Higher raw material and supply costs and increased wages for labour are facts with which we will have to continue to contend. We constantly strive for productivity improvements and most of our rather sizeable capital expenditures each year are enabling us to move steadily forward in this regard.

We are confident that we will produce satisfactory results from our Canadian operations and we feel that the results from DHJ's United States and international operations, will start to improve from this point forward.

There is still a great deal of work to be done at DHJ but much has been accomplished and we can assure our shareholders that the same degree of effort and competence will be shown on the operating side of that business, as has been demonstrated on the financial and legal side since we acquired DHJ some three years ago.

In our Report to the Shareholders we mentioned that Mr. Arthur Pascal would not be standing for re-election at this meeting. We are sorry, indeed, to lose the benefit of Mr. Pascal's counsel and experience and, on behalf of the shareholders, the Board of Directors and the management of the Company, wish to thank him for his valuable services.

First Quarter Results

We have just completed the first quarter of the current fiscal year and are reporting to our shareholders an increase in sales of 5% to $122.4 million, and net income of $2 503 000 compared with $2 156 000 last year. Earnings per share were 31¢ and 28¢ respectively.

Earnings per share would have been about the same as last year if two factors are taken into account. This year, we took an inventory tax credit of $370 000 in the first quarter whereas last year the legislation had not passed and no tax credit was taken until the second quarter.

Secondly, at September 30, 1978, we had 286 000 more shares outstanding than this time last year, an increase of about 4%. As the price of our stock has been rising, holders of the Company's Convertible debentures have been exchanging their debentures and, accordingly, the net earnings per share calculation is based on a higher number of shares.

Operating results for the quarter were mixed.

Swift Textiles' operations were profitable but there was a significant decline in earnings from this source. As indicated earlier, the turnaround at Swift has commenced already and we expect steady improvement as we progress through the year.

Results from the interlining operations in the United States were disappointing and a loss was reported for the quarter. The overseas operations showed a modest profit.

In spite of these declines, a substantial improvement in the results from our Canadian operations helped to make this quarter's earnings the highest first-quarter earnings in the Company's history.

CONSOLIDATED STATEMENT OF INCOME
Unaudited

	THOUSANDS Three months ended September	
	1978	1977
Sales	**$122 398**	$116 238
Costs and expenses		
Operating costs	**112 725**	106 399
Depreciation	**3 092**	3 229
Interest		
Long term debt	**2 048**	1 806
Other	**1 718**	1 136
	119 583	112 570
Income before earnings from associated companies	**2 815**	3 668
Share in earnings of associated companies	**221**	374
Income from operations	**3 036**	4 042
Other income	**265**	198
Income before income taxes	**3 301**	4 240
Income taxes	**1 008**	2 001
	2 293	2 239
Gain on translation of foreign currencies	**317**	376
Minority interest	**(107)**	(459)
Net income for the period	**$ 2 503**	$ 2 156
Per share, after preferred dividends	**$ 0.31**	$ 0.28

If the company's $5\frac{3}{4}$% convertible debentures had been converted at the beginning of the fiscal year, the earnings per share would have been $0.28 and $0.25 for the three months ended September 1978 and 1977 respectively.

On behalf of the Board:

R. H. PEROWNE, Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Unaudited

	THOUSANDS Three months ended September	
	1978	1977
Source of funds		
Net income for the period	**$ 2 503**	$ 2 156
Depreciation	**3 092**	3 229
Deferred income taxes	**(67)**	(120)
Share in earnings of associated companies in excess of dividends received	**(141)**	(245)
Cash generated from operations	**5 387**	5 020
Proceeds from issue of $10\frac{1}{2}\%$ Sinking Fund Debentures, Series D	**—**	12 000
Increase in other long term debt	**370**	954
Issue of convertible shares	**927**	—
Minority interests' share of earnings in subsidiaries, net of dividends paid	**65**	414
Proceeds on sale of fixed assets	**82**	24
Realization of tax benefit	**—**	1 255
	$ 6 831	$ 19 667
Use of funds		
Repayment of long term debt	**$ 3 817**	$ 3 102
Additions to fixed assets	**4 261**	5 025
Dividends	**1 382**	1 177
Other items — net	**267**	(20)
	$ 9 727	$ 9 284
Decrease (increase) in working capital	**$ 2 896**	$(10 383)

T. R. BELL, Director

DIRECTORS

The following Board of eleven directors was elected at the annual general meeting:

Jean Béliveau
*Thomas R. Bell
*J. Claude Hébert
Roderick O. A. Hunter
Gordon Lennard
Charles A. McCrae
*D. Ross McMaster, Q.C.
Caļ N. Moisan
*Ronald H. Perowne
David F. Sobey
Kenneth A. White, C.D.

*Member of the Executive Committee

AUDITORS

Touche Ross & Co. were appointed auditors of the Company.

OFFICERS

At a meeting of the newly-elected Board of Directors held following the general meeting of shareholders, the following officers were elected or appointed:

Ronald H. Perowne,
Chairman of the Board

Thomas R. Bell,
President and Chief Executive Officer

Francis P. Brady, Q.C.
Senior Vice-President — Corporate Services

Harry Braid
Vice-President, General Manager — Consumer Products Division

Arthur P. Earle
Senior Vice-President — Operation Services

Ilay C. Ferrier
Senior Vice-President — Finance

Alex R. McAslan
Vice-President, General Manager — Industrial Fabrics Division

William A. McVey
Vice-President, General Manager — Apparel Fabrics Division

Robert M. Wilson
Vice-President, General Manager — Sales Yarn Division

André Bélanger
Vice-President

Hubert Chatelois
Vice-President

Allan R. Evans
Vice-President — Marketing Sales Yarn Division

William N. Gagnon
Vice-President

W. Hood Gambrell
Vice-President — Finishing Plants

James H. Griffin
Vice-President — Marketing, Consumer Products Division

Robert W. Kolb
Vice-President — Development Research

E. John Macfarlane
Vice-President

Lawrence G. McDonough
Vice-President — Grey Manufacturing, Apparel Fabrics Division

Clifton M. Beck
Secretary and General Counsel

Stephen J. Weir
Comptroller

Richard G. Munro
Treasurer

Laurie W. Alnwick
Assistant Treasurer

ADMINISTRATEURS

Les onze membres du conseil d'administration élus lors de l'assemblée annuelle sont:

Jean Béliveau
*Thomas R. Bell
*J.-Claude Hébert
Roderick O. A. Hunter
Gordon Lennard
Charles A. McCrae
*D. Ross McMaster, c.r.
Cal.-N. Moisan
*Ronald H. Perowne
David F. Sobey
Kenneth A. White, C.D.

*Membre du comité exécutif

VÉRIFICATEURS

Touche Ross & Cie ont été nommés vérificateurs de la compagnie.

DIRIGEANTS

Au cours d'une réunion des membres du nouveau conseil d'administration tenue à la suite de l'assemblée générale des actionnaires, les personnes suivantes ont été élues ou nommées:

Ronald H. Perowne,
président du conseil

Thomas R. Bell,
président et
chef de l'administration

Francis P. Brady, c.r.
premier vice-président — services généraux

Harry Braid
vice-président, directeur général — division des produits pour consommateurs

Arthur P. Earle
premier vice-président — services à l'exploitation

Ilay C. Ferrier
premier vice-président — finances

Alex R. McAslan
Vice-président, directeur général — division des tissus industriels

William A. McVey
vice-président, directeur général — division des tissus pour vêtements

Robert M. Wilson
vice-président, directeur général — division des fils commerciaux

André Bélanger
vice-président

Hubert Chatelois
vice-président

Allan R. Evans
vice-président — mise en marché, division des fils commerciaux

William N. Gagnon
vice-président

W. Hood Gambrell
vice-président — usines de finition

James H. Griffin
vice-président — mise en marché, division des produits pour consommateurs

Robert W. Kolb
vice-président — recherches technologiques

E. John Macfarlane
vice-président

Lawrence G. McDonough
vice-président — fabrication grège, division des tissus pour vêtements

Clifton M. Beck
secrétaire et conseiller général

Stephen J. Weir
contrôleur

Richard G. Munro
trésorier

Laurie W. Alnwick
trésorier adjoint

ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DE LA SITUATION FINANCIÈRE

Non vérifié

EN MILLIERS Trois mois terminés en septembre	**1978**	1977
Provenance des fonds		
Bénéfice net de l'exercice	**$ 2 503**	$ 2 156
Amortissement	**3 092**	3 229
Impôts sur le revenu reportés	**(67)**	(120)
Excédent de la quote-part des bénéfices des compagnies associées sur dividendes reçus	**(141)**	(245)
Encaisse générée par l'exploitation	**5 387**	5 020
Produit de l'émission d'obligations à fonds d'amortissement $10^1/_2$%, série D	**—**	12 000
Augmentation d'autres dettes à long terme	**370**	954
Émission d'actions convertibles	**927**	—
Quote-part des bénéfices des filiales revenant aux actionnaires minoritaires, déduction faite des dividendes versés	**65**	414
Produit de la vente d'immobilisations	**82**	24
Réalisation d'un avantage fiscal	**—**	1 255
	$ 6 831	$ 19 667
Utilisation des fonds		
Remboursement de la dette à long terme	**$ 3 817**	$ 3 102
Nouvelles immobilisations	**4 261**	5 025
Dividendes	**1 382**	1 177
Autres éléments — net	**267**	(20)
	$ 9 727	$ 9 284
Diminution (augmentation) du fonds de roulement	**$ 2 896**	$(10 383)

T. R. BELL, administrateur

ÉTAT CONSOLIDÉ DES RÉSULTATS
Non vérifié

EN MILLIERS — Trois mois terminés en septembre	1978	1977
Ventes	**$122 398**	$116 238
Coûts et dépenses		
Frais d'exploitation	**112 725**	106 399
Amortissement	**3 092**	3 229
Intérêts		
Dette à long terme	**2 048**	1 806
Autres	**1 718**	1 136
	119 583	112 570
Bénéfices avant quote-part des compagnies associées	**2 815**	3 668
Quote-part des bénéfices des compagnies associées	**221**	374
Bénéfice d'exploitation	**3 036**	4 042
Autres revenus	**265**	198
Bénéfice avant impôts sur le revenu	**3 301**	4 240
Impôts sur le revenu	**1 008**	2 001
	2 293	2 239
Gain sur la conversion de devises étrangères	**317**	376
Part des actionnaires minoritaires	**(107)**	(459)
Bénéfice net de l'exercice	**$ 2 503**	$ 2 156
Par action, après dividendes sur les actions privilégiées	**$ 0,31**	$ 0,28

Si les obligations convertibles à $5^3/_4$% de la compagnie avaient été converties au début de l'exercice financier, le bénéfice par action aurait été de $0,28 et $0,25 pour les trois mois terminés en septembre 1978 et 1977 respectivement.

Pour le conseil d'administration:

R. H. PEROWNE, administrateur

Il reste beaucoup de travail à accomplir à DHJ, mais beaucoup de chemin a été parcouru. Nous pouvons assurer nos actionnaires que la même compétence, les mêmes efforts seront déployés dans le secteur exploitation de l'entreprise comme il en a été dans les secteurs financier et légal depuis l'acquisition de DHJ il y a trois ans.

Dans notre rapport aux actionnaires, nous avons mentionné que M. Arthur Pascal ne solliciterait pas de nouveau mandat à cette assemblée. Nous regrettons vraiment de ne plus pouvoir bénéficier des conseils et de l'expérience de M. Pascal et au nom des actionnaires, du conseil d'administration et de la direction de la compagnie, nous désirons le remercier des valeureux services qu'il nous a rendus.

Résultats du premier trimestre

Nous venons tout juste de compléter le premier trimestre du nouvel exercice et nous pouvons faire part à nos actionnaires que les ventes ont augmenté de 5 pour cent pour atteindre $122,4 millions et que le bénéfice net est de $2 503 000 comparativement à $2 156 000 l'an dernier. Le bénéfice par action s'est chiffré à $0,31 et $0,28 respectivement.

Ce bénéfice par action aurait été le même que l'an dernier n'eut été de deux facteurs. Cette année, nous bénéficions d'un crédit d'impôt sur les stocks de $370 000 au premier trimestre alors que l'an dernier la loi n'avait pas été sanctionnée et qu'aucun crédit d'impôt n'avait pu être imputé avant le deuxième trimestre.

Deuxièmement, au 30 septembre 1978, nous avions 286 000 actions en circulation de plus que l'an dernier à la même date, soit une augmentation d'environ 4 pour cent. Étant donné que le prix de nos actions a augmenté, les détenteurs d'obligations convertibles de la compagnie ont échangé leurs obligations et, en conséquence, le calcul du bénéfice net par action repose sur un nombre plus élevé d'actions.

Les résultats d'exploitation pour le trimestre sont mitigés.

Les activités de Swift Textiles ont été rentables, mais les bénéfices ont baissé considérablement. Comme nous l'avons indiqué plus tôt, le revirement de situation à Swift a déjà commencé et nous nous attendons à une amélioration continue à mesure que l'année progressera.

Les résultats de nos activités dans la division des doublures aux États-Unis sont décevants. On a enregistré des pertes au premier trimestre. Outre-mer, on a connu de modestes profits.

Malgré ces baisses, l'amélioration substantielle de nos activités canadiennes a contribué à hausser nos résultats d'exercice qui effectivement affichent le bénéfice trimestriel le plus élevé de l'histoire de la compagnie pour un premier trimestre.

Nos activités canadiennes continuent d'être très bonnes et nos usines dans presque tous les cas continuent de fonctionner à capacité. Les commandes en carnet de nos divisions des tissus pour vêtements, des produits pour consommateurs et des tissus industriels devancent substantiellement leur volume de l'an dernier à ce moment-ci. Quant à la division des fils commerciaux, elle a fonctionné à pleine capacité durant toute l'année dernière et on s'attend à ce qu'elle garde le même rythme.

L'activité du denim produit au Canada est excellente. Les investissements consacrés à la fabrication du denim au pays rapporte les bénéfices prévus. Nous avions le sentiment de pouvoir concurrencer le denim importé des États-Unis avant même la chute du dollar canadien et c'est effectivement le cas.

La dévaluation du dollar canadien a rendu les importations moins concurrentielles mais elle a également rendu nos achats de coton brut plus dispendieux. La plupart de notre coton nous provient des États-Unis et, mise à part la dévaluation monétaire, le prix du coton lui-même a augmenté. L'an dernier, nos achats de coton pour nos usines canadiennes se sont élevés à $60 millions. Même si nous essayons de prévoir les augmentations de prix du coton et d'acheter une bonne partie de nos besoins lorsque les prix nous sont plus favorables, nos actionnaires constateront à partir du montant de dollars impliqués l'augmentation importante que ces facteurs peuvent produire sur nos coûts en matières premières.

Il n'existe aucune machinerie textile fabriquée au Canada et Dominion Textile achète la plupart de sa machinerie textile et de ses pièces de rechange des États-Unis, de la Suisse et de l'Allemagne de l'Ouest. L'an dernier, les devises de ces trois pays ont augmenté de façon appréciable par rapport au dollar canadien. Le pourcentage des augmentations est encore plus saisissant lorsque comparé à leur valeur au mois de juin 1976: 22 pour cent pour le dollar américain, 67 pour cent pour le mark allemand et 93 pour cent pour le franc suisse.

Le coût plus élevé des matières premières, des approvisionnements et les augmentations de salaires sont des faits de la vie avec lesquels il nous faudra continuer à vivre. Nous tentons sans cesse d'améliorer notre productivité et chaque année la somme assez considérable de nos investissements nous permet d'avancer de façon soutenue dans cette direction.

Nous sommes confiants de pouvoir connaître des résultats satisfaisants au Canada et nous avons le sentiment que ceux de DHJ, aux États-Unis et à l'étranger, commenceront à s'améliorer.

même au Canada. DHJ a particulièrement souffert du net déclin des prix du denim et de la réduction de production à l'usine de Swift Textiles en Georgie.

Nous croyons que le pire est maintenant passé en ce qui a trait au déclin du denim. Tout autour du globe, on continue à consommer de ce genre de tissus en très grande quantité et un meilleur équilibre entre l'offre et la demande indique une constante amélioration dans ce domaine. Les résultats de Swift devraient s'améliorer au fur et à mesure que l'année avancera, mais il serait vraiment irréaliste de s'attendre aux mêmes résultats sensationnels qu'au cours des deux dernières années.

On ne s'attendait pas à ce que notre nouvelle usine de finition de Monroe soit autant entravée dans sa mise en oeuvre. Nous avons eu des difficultés à recruter et à retenir des opérateurs suffisamment formés à cette usine de la Louisiane avec le résultat que nos problèmes de qualité et de service à la clientèle ont gêné les ventes de la division des doublures. Des progrès constants sont maintenant réalisés, mais il reste une certaine distance à parcourir avant de pouvoir bénéficier du retour sur l'investissement escompté de cette usine.

Nous avons entamé des négociations avec Staflex International, en Angleterre, dans le but d'acheter ses compagnies européennes de distribution. Cette entreprise jouit d'une position prédominante dans les doublures fusibles pour vêtement et ses produits compléteraient parfaitement la gamme des produits de DHJ. Une fusion pratique des deux entreprises de mise en marché donnerait naissance à une compagnie de doublures beaucoup plus forte, beaucoup plus étendue qui pourrait constituer un apport positif à notre commerce européen. À ce jour, nous n'avons pas conclu d'entente mais nous travaillons étroitement avec Staflex à étudier très attentivement tous les aspects de cette acquisition.

Activités canadiennes

Dominion Textile a adopté le système métrique le 1er juillet 1978. Ce changement est le résultat de trois années de planification et nous vendons maintenant notre fil au Canada en kilogrammes et nos tissus en mètres. Le passage au système international de mesures s'est accompli sans heurt important et tous les coûts ont été absorbés aussitôt qu'encourus.

Il me fait davantage plaisir de vous communiquer que les contrats de travail chez Penmans, Fiberworld et Hubbard ont été renégociés avec succès pour une période de deux ans il y a quelques semaines. Les ententes de travail les plus importantes touchant les usines de Dominion Textile prendront fin en février prochain et les négociations avec les divers syndicats concernés commenceront bientôt.

- Selon votre propre expérience, est-ce qu'il n'en coûte pas plus au Canada comparativement aux États-Unis pour du dentifrice, un téléviseur, des bâtons de golf, une automobile et le reste? La réponse est évidente. La différence des prix dans le textile entre les deux pays n'est qu'un autre exemple du prix global que nous devons payer à titre de Canadiens, ni plus ni moins.

Les bénéfices qu'on pourrait retirer du renforcement de l'industrie du textile et du vêtement pourraient donner un véritable coup de pouce à l'économie. Dominion Textile est l'un des plus importants pourvoyeurs d'emplois au Canada. Nos employés d'usine les moins bien payés gagnent en moyenne $5 l'heure et nos hommes de métier spécialisés reçoivent plus de $9 l'heure! Nous sommes très loin du salaire minimum et nous entreprendrons bientôt la négociation de nouvelles ententes de travail.

Nous détenons certainement une place de premier choix dans le spectre industriel canadien.

Quelles sont les options? Où sont les soi-disantes industries à haute technologie qui peuvent fournir ces emplois dont nous avons tellement besoin? En fait, si ces industries devaient se matérialiser, les lois du marché créeraient elles-mêmes les ajustements que les théoriciens semblent si pressés d'apporter. D'ici ce temps-là, pourquoi éliminer des emplois concrets au bénéfice d'une alternative théorique seulement?

Je dois réitérer avec la plus forte insistance possible que toute considération d'une politique d'élimination de l'industrie serait socialement et économiquement irresponsable. Je sais que vous partagerez ces vues.

DHJ Industries Inc.

J'ai déjà touché à quelques-uns des faits saillants de nos activités canadiennes. Passons maintenant à DHJ.

Dans quelques semaines, DHJ Industries aura franchi une étape véritablement majeure. Cette compagnie qui était sur la voie de la faillite lorsque nous l'avons acquise en 1975 a rencontré toutes ses obligations envers ses créanciers en vertu de l'entente originale.

Les fournisseurs ont été remboursés complètement, les compagnies de location à long terme sont actuellement payées comme prévu et les banques et compagnies d'assurance ont accepté un nouveau mode de financement et une extension de leur part de la dette. DHJ doit se débattre encore et son bilan n'est pas aussi solide qu'on voudrait qu'il soit, mais la compagnie continue de lutter fortement. DHJ a contribué aux bénéfices consolidés dans les deux dernières années.

L'allure générale du textile aux États-Unis et en Europe a été beaucoup moins soutenue qu'ici

d'emplois productifs et d'amélioration à la balance commerciale?

J'ai fortement l'impression que toutes ces questions n'ont pas été évaluées de façon objective par ceux qui prônent l'élimination graduelle de l'industrie.

Il est étrange, par exemple, que les recommandations qui ont produit l'impact le plus sérieux sur le sort de l'industrie textile au Canada ont été formulées par le Conseil économique du Canada sans qu'il n'y ait eu de contact ou de consultation avec les leaders de l'industrie responsables de sa présence concrète sur le marché.

À cause de contraintes de temps, il ne me sera pas possible aujourd'hui de réfuter complètement ces affirmations, mais quelques-unes des vérités que nous connaissons tous peuvent dissiper la plupart des mythes qui persistent:

- Les industries du textile et du vêtement dont la valeur des expéditions annuelles dépasse les $6 milliards procurent quelque 200 000 emplois directs, 300 000 emplois additionnels indirects et demeurent un segment des plus importants de l'industrie manufacturière canadienne. Elles continuent de représenter un emploi sur huit au Canada et un emploi sur quatre au Québec dans le secteur manufacturier.
- En particulier, l'industrie textile constitue un mélange idéal de capital et d'emplois potentiels. Aujourd'hui, les coûts impliqués dans la création d'un emploi dans une usine de tissage atteignent les $150 000 et dans une usine de finition les $200 000.
- Une industrie dont la part du marché domestique représente moins de 50 pour cent ne peut d'aucune manière être qualifiée d'industrie choyée ou surprotégée.
- Une industrie dont les prix au cours de la dernière décennie, à la fois dans le secteur du textile comme dans celui du vêtement, ont connu des augmentations exemplaires constamment en-dessous de la moyenne de l'ensemble du secteur manufacturier ne peut pas être accusée d'abuser du consommateur canadien.
- Il existe des subsides à l'agriculture, à la pêcherie, à la construction navale, des allocations spéciales d'épuisement dans plusieurs industries de ressources naturelles, des participations hautement subventionnées dans les "industries à haute technologie", comme la production d'avion. On a rendu disponibles des subventions fort inhabituelles à l'industrie de l'automobile, à la fois au niveau fédéral et provincial. L'industrie textile n'a sûrement pas bénéficié d'un tel traitement de faveur.

comparativement à la plupart des autres secteurs de l'économie.

Et c'est l'évidence même pour ceux qui veulent entendre le message que s'il existe un climat économique dans lequel une entreprise peut faire des profits raisonnables et adéquats le niveau de l'emploi augmentera. Au 30 juin 1978, il y avait donc 675 Canadiens de plus qui ramenaient à la maison un chèque de paie de Dominion Textile, comparativement à l'année précédente. Nous sommes fort aises de constater que, parce que nous avons été actifs et que cette activité a été rentable, il nous a été possible de contribuer à l'augmentation du produit national brut, de réduire le chômage en fournissant des emplois concrets et valables et d'augmenter un dividende qui était demeuré stationnaire durant quatre ans.

Industrie textile

À ce moment-ci, mesdames et messieurs, permettez-moi de digresser un moment de mes commentaires sur les activités de Dominion Textile pour me consacrer davantage à ce débat fortement publicisé tout au cours de l'année sur la viabilité de l'industrie textile au Canada. J'espère pouvoir éclaircir quelques-uns des mythes que l'on continue d'entretenir sur l'industrie et qui devraient être remisés à tout jamais.

Le débat a pris de l'ampleur au cours des derniers mois surtout. Certains organismes économiques, quoique de très haute réputation, semblent prôner l'élimination d'importants segments de l'industrie du textile et du vêtement au Canada.

D'autre part, comme nous l'avons souligné dans notre rapport annuel, un groupe de travail, nommé par le gouvernement fédéral et formé de leaders syndicaux et patronaux des industries du textile et du vêtement, de détaillants, d'universitaires et d'observateurs de certains gouvernements provinciaux, a récemment recommandé très fortement et unanimement au gouvernement fédéral de maintenir une structure industrielle canadienne basée sur une diversification étendue comprenant une industrie du textile et du vêtement revitalisée et renforcée.

Qu'en est-il de ces vues diamétralement opposées?

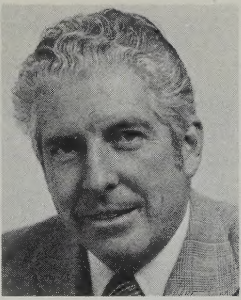
Est-ce que vraiment l'industrie textile est une industrie choyée qui jouit d'une protection unique, soit les hautes barrières tarifaires contre la compétition étrangère?

L'industrie textile ne satisfait-elle pas aux demandes sophistiquées du consommateur canadien en terme de style, de qualité et de prix?

Est-ce que l'industrie textile est la seule industrie qui "bénéficie" d'une certaine forme d'intervention positive du gouvernement?

L'industrie n'apporte-t-elle pas une contribution significative à l'économie canadienne en terme

ALLOCUTION AUX ACTIONNAIRES



Thomas R. Bell
Président

Il est vraiment plaisant de pouvoir prononcer, pour la première fois, l'allocution annuelle aux actionnaires lorsque l'on a en main la sorte de résultats que Dominion Textile a connus au cours de son exercice financier terminé le 30 juin 1978.

Nous avons amélioré notre bénéfice net qui est passé de $13,3 millions l'an dernier à $18 171 000 cette année, soit un bénéfice net par action de $2,31 par rapport à $1,71 l'an dernier.

Même si nous sommes en période d'inflation, il nous faut avouer que le fait d'avoir dépassé le cap du demi-milliard de dollars confortablement, avec un chiffre de ventes de $560 millions durant l'exercice financier 1978, a suscité un sentiment de fierté et de satisfaction. Au cours des trois dernières années, notre volume de ventes a plus que doublé.

Étant donné que la plupart d'entre vous avez déjà lu le rapport annuel, je n'insisterai pas sur le détail des événements qui sont survenus l'an dernier. Cependant, je voudrais vous remettre en mémoire quelques-uns des faits saillants.

Faits saillants

Au tout début de notre dernier exercice financier, nos activités canadiennes n'ont pas connu de bons résultats, sauf la division des fils commerciaux. Cependant, nous étions préparés à toute amélioration des conditions du marché.

Cette amélioration a commencé à poindre durant le premier trimestre et s'est poursuivie depuis. Les quantités excessives de vêtements importés de pays à bas salaire ont été ramenées à des niveaux plus rationnels et la diminution de la valeur du dollar canadien a rendu la production domestique plus concurrentielle. À mesure que la production augmentait et que nos usines atteignaient leur pleine capacité, nos coûts unitaires diminuaient. Dans de telles conditions, il nous est possible de faire des profits sans avoir à augmenter nos prix de façon exorbitante. Dans notre rapport annuel, nous avons cité des statistiques sur les augmentations très modérées des prix du textile au cours des douze mois terminés en juin 1978,

TABLE DES MATIÈRES

PROROGATION ET RÈGLEMENTS GÉNÉRAUX

À l'assemblée générale extraordinaire des actionnaires, la prorogation de la compagnie, conformément à la Loi sur les corporations commerciales canadiennes, a été sanctionnée par un vote représentant 5 259 918 actions en faveur, soit plus de 99 pour cent des votes enregistrés, et 930 actions contre; les nouveaux règlements généraux 1 à 17 ont également été sanctionnés et confirmés par un vote de 5 256 868 actions en faveur, soit plus de 99 pour cent des votes enregistrés, et 4 130 actions contre.

Faits saillants de l'assemblée annuelle et de l'assemblée générale extraordinaire de 1978 et Rapport intérimaire

pour le trimestre terminé
en septembre 1978

Texmade

dominion textile limitée